

State of Michigan



EXECUTIVE BUDGET

Fiscal Year 2001



A stylized, cursive signature of John Engler in white ink on a blue background.

John Engler, Governor

January 27, 2000

To the Citizens of Michigan:

Michigan begins this new millennium with our budget balanced, our economy strong and our families thriving. We can look back on the 1990s as a decade of change, reform and innovation. But most importantly, by setting new priorities, we set Michigan on a path to prosperity.

I am proud to present my administration's tenth consecutive balanced budget recommendation. This budget for the new century — strengthens our longstanding commitment to education, adds to an already outstanding record of tax relief and focuses on helping families achieve independence.

By far, the most important feature of this budget recommendation is the extraordinary increase in education funding. For the school year beginning July 1, 2002, every public school district in Michigan will receive no less than \$6,500 per pupil — full funding for every child! We have realized the promise of Proposal A. With this budget, we have reached heights previously thought impossible!

I should note, however, that my spending recommendation for K-12 education is not a blank check. Indeed, we will achieve full funding only when we enact full freedom for students and parents. Every child must have access to a high quality education. Reform is the catalyst to quality — the key to helping make Michigan schools the best in the world.

The record-high level of support for public education in the past decade is truly amazing, when you consider that Michigan families and job providers saved \$15 billion in tax cuts over the same time period. To build on these accomplishments, I am recommending additional tax relief — including an immediate income tax rate cut to 4.2 percent and an increase in exemptions for children, saving taxpayers an additional \$359 million over the next two years.

Other highlights of my 2001 budget include:

- \$110 million over two years to provide training to teachers on effective use of computers and technology in the classroom. Teachers will also be provided computers and Internet access upon mastery of course work;

- \$8 million to fund the Michigan Golden Apple Awards, an academic competition to reward outstanding elementary schools who show the greatest amount of improvement or achieve the highest scores on the MEAP test;
- \$27.5 million to expand school readiness programs to provide Michigan's youngest learners with an early start on educational success;
- \$15 million to support the Michigan Advanced Placement Academy and a Virtual High School to expand educational opportunities for all high school students through an interactive, multimedia Internet-based, educational delivery system across Michigan;
- funding to implement recommendations from Lt. Governor Posthumus' Michigan Commission on Financing Postsecondary Education, to make community college affordable to students from low and middle-income families;
- for the first time ever, revenue sharing in excess of \$1.5 billion – a seven percent, nearly \$100 million increase over last year;
- creation of a \$25 million fund to help families access quality, affordable housing;
- a 20 percent increase in monthly assistance checks for low-income families who are providing care for children from their extended families;
- an immediate \$13.1 million investment to fully fund the Children's Trust Fund, in order to increase annual spending to further support efforts in the fight against child abuse and neglect;
- a \$54 million, or 74 percent, increase for the MIChoice program to help thousands more seniors and persons with disabilities receive care in their homes; and,
- implementation of a prescription drug benefit program for seniors with incomes below 200 percent of poverty that are not eligible for Medicaid.

This budget is balanced, fiscally sound and prudent. It reflects the lessons we learned in the '90s and keeps Michigan in the lead as we begin this new century. I am excited about this budget, and what it can mean to Michigan families. I look forward to working with the Legislature and our citizens to enact this budget. Together, we'll make sure that Michigan is first in the 21st Century!

Sincerely,

John Engler
Governor

LEADERSHIP FOR THE 21ST CENTURY

Governor Engler's Fiscal Year 2001

Budget Recommendation

As Michigan moves into the 21st century, we have many challenges before us. However, we confront those challenges from a position of great economic strength, bolstered by the lessons of the past decade.

Today, I will provide you with an overview on the state's financial health, highlighting the Governor's spending priorities for the upcoming year. Priorities that include tax relief, spending increases for education, local government, health care, and many new and innovative initiatives.

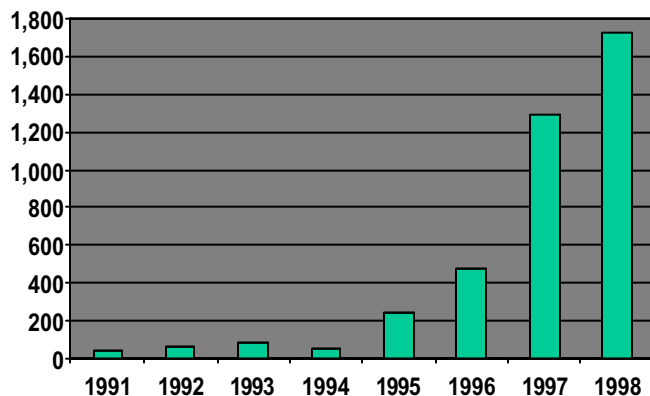
MICHIGAN'S NEW ECONOMY

"Michigan, over the last few years, has done a wonderful job on economic development. It's challenged us to be more competitive."

Don Jakeway
President of the Regional Growth
Partnership of Northwestern Ohio
Site Selection, November 1999

By any measure, 1999 was a remarkable year for Michigan. The positive impact of Michigan's efforts to reform welfare, relieve the tax burden and stimulate the economy through job creation fully emerged. Over the past several years, the Legislature and Governor Engler have made many tough decisions and created new opportunities for Michigan residents and job providers. As a result, Michigan is stronger than ever. We're cutting taxes, creating a record number of jobs and the welfare rolls are dropping at an astounding pace.

Michigan Leads Nation in Economic Development
(Number of Plants and Expansions)



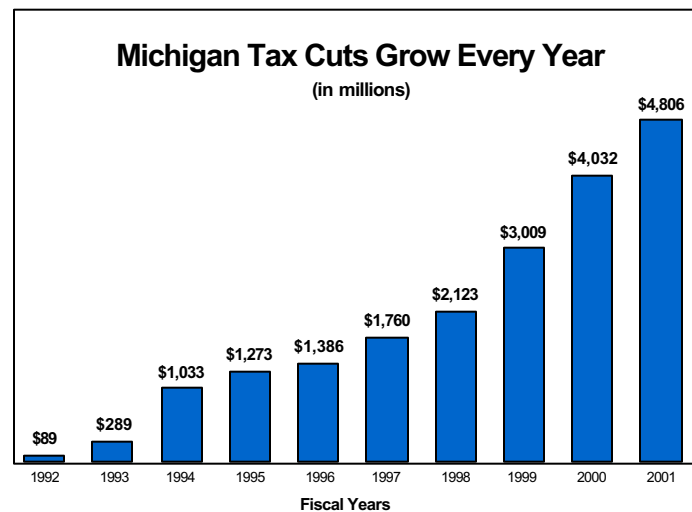
There is little doubt that Michigan is a leading force in the nation's remarkable economic expansion. Businesses that wouldn't even look at Michigan five years ago are breaking ground and holding ribbon-cutting ceremonies here today. For the last two years, Michigan has been recognized as number one in the nation by *Site Selection* magazine for the number of new plants and expansions.

For the sixth consecutive year, Michigan's unemployment rate was below the national average. In fact, the 3.7 percent unemployment rate for 1999 is the lowest annual unemployment rate Michigan has experienced in over thirty years! In 2000, Michigan employment is expected to grow by 65,000 jobs, and in 2001, to increase by 53,000 additional jobs. Michigan is not just riding on an economic wave, but charting a new course.

One of the state's most notable accomplishments is continuation of high credit ratings from top Wall Street rating agencies affirming their full confidence in Michigan's sound fiscal management and prudent tax policies. The state has maintained Aa1 credit ratings since 1998 when it was upgraded by all three credit rating agencies: Moody's Investors Service, Standard & Poor's, and Fitch IBCA. Sound credit ratings allow the state to bond at lower interest rates, which translates into savings for Michigan taxpayers and increased financial flexibility for the state.

ONGOING TAX RELIEF

The fiscal year 2001 budget recommendation continues the Governor's philosophy of stimulating the economy through tax relief. In his 2000 State of the State address, Governor Engler proposed a number of new tax reductions that will benefit families, seniors, and persons with disabilities. Combining the proposed tax cuts with the 26 tax cuts already signed into law will save Michigan taxpayers an astounding \$20 billion during the eleven years of Governor Engler's leadership.

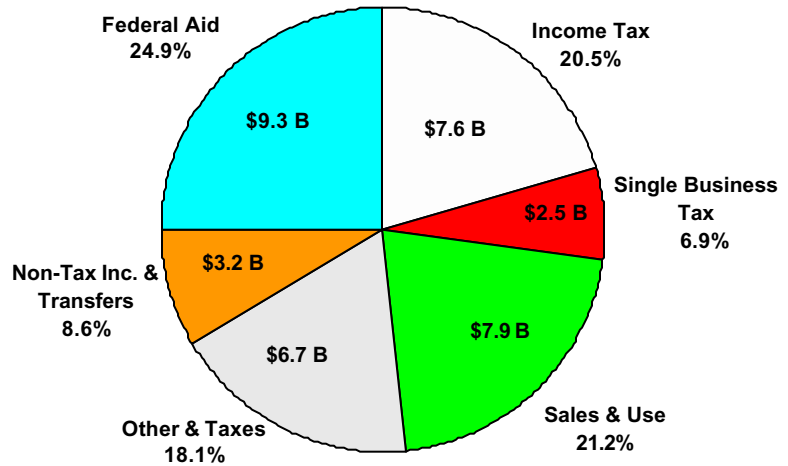


The Governor's latest proposal will accelerate the income tax rate reduction by moving the 2001 rate reduction up to 2000. In other words, the income tax rate will decrease from 4.4 percent to 4.2 percent as of January 1, 2000. In addition, the state currently gives families an exemption of \$600 for every child age one to six and \$300 for every child age seven to twelve. The Governor's proposal calls for a uniform exemption of \$600 for every child up to age eighteen. If these two changes are enacted into law, the first \$12,800 earned each year by a family of four with two children will be tax-free.

GENERAL FUND RESOURCES

Over the last few years, the state's baseline revenue growth has mirrored the surging economy. Due to the strength of Michigan's economy, baseline revenues (revenues prior to tax cuts) are up in all major categories. The actual revenue growth upon which the budgets are developed, however, has been markedly reduced by tax cuts enacted during the 1990s. The slow-paced phase-in of tax cuts is a fiscally responsible approach. Governor Engler and the Michigan Legislature have demonstrated that they know how to balance budgets while providing tax relief to the citizens of the state. The result has been a series of balanced budgets, \$20 billion returned to the taxpayers, and an impressive \$1.2 billion in the state's rainy day fund.

**Fiscal Year 2001 Estimated Revenues
Total \$37 Billion**



The Michigan Constitution requires the Governor to present a balanced budget to the Legislature — therefore, proposed expenditures may not exceed projected revenues. The Governor uses the results of the January Consensus Revenue Estimating Conference to set the revenues upon which the Executive Budget is based. Two weeks ago, the conferees — the State Treasurer and the directors of the House and Senate fiscal agencies — jointly determined revenue projections for fiscal year 2000 and fiscal year 2001. The budget that I'm presenting to you today is based on those revenue estimates.

Fiscal Year 2000— The conferees estimated general fund revenues for fiscal year 2000 at \$9.67 billion, exceeding the May consensus projections by \$170 million. Absent additional tax relief, the fiscal year 2000 revenues will exceed current appropriations by \$404 million. However, the Governor is proposing a number of additional tax cuts to benefit families, the elderly, persons with disabilities, and the farming community. The proposed tax cuts will reduce current year revenues by \$194 million.

**Fiscal Year 2000
Projected General Fund Revenue & Expenditures**
(in Millions)

Consensus Revenue Estimate	\$ 9,671.4
Proposed Tax Cuts—State of the State	(194.2)
UESF – Lapse	23.3
Homestead Property Tax—Funding Shift	27.0
Available FY00 Revenues	\$ 9,527.5
Enacted Appropriations	9,267.3
Proposed Supplemental	129.4
Projected FY00 Expenditures	\$ 9,396.7
Projected FY00 Balance	\$ 130.8

A proposal to partially fund the homestead property tax credit with federal funds and a projected lapse from the Uninsured Employers Security Fund will offset that revenue loss by \$50 million. In addition to these revenue adjustments, the budget that I bring to you today includes a recommended fiscal year 2000 general fund supplemental of \$129 million. After legislative approval of the proposed tax cuts and the supplemental, the net effect is a general fund balance at the end of this fiscal year of \$131 million.

The recommended general fund supplemental for fiscal year 2000 supports a number of technology initiatives including \$21.2 million to implement a state-wide e-commerce plan and \$37 million for universities and community colleges for special maintenance or technology projects. In an effort to simplify the tax system and boost funding for critical child abuse prevention services, we are recommending the Children's Trust Fund be fully funded at a cost of \$13.1 million. This increase in annual spending will further support efforts in the fight against child abuse and neglect.

Additionally, \$2.4 million is recommended to fully fund the NonGame Fish and Wildlife Trust Fund. The fiscal year 2000 supplemental also provides \$2.3 million to expand the Judiciary's model trial court project, and \$1.7 million for additional reading readiness kits. Furthermore, over \$40 million in general fund support is included for the Family Independence Agency for technology, food stamp sanctions, and to meet the state match requirements for the welfare block grant.

Fiscal Year 2001 —

The fiscal year 2001 general fund revenues were estimated at \$9.74 billion in the Consensus Revenue Estimating Conference. The Executive Budget recommendation adjusts the consensus numbers to reflect the Governor's proposed tax cuts announced in the State of the State message last week, repeal of the tuition tax credit, and the homestead property tax credit funding shift. The net impact of these adjustments is fiscal year 2001 available revenues of \$9.64 billion. These revenues are \$371 million more than the existing fiscal year 2000 appropriations.

Fiscal Year 2001 Projected General Fund Revenue (in Millions)

Consensus Revenue Estimate	\$ 9,740.0
Proposed Tax Cuts - State of the State	(151.1)
Homestead Property Tax - Funding Shift	27.0
Repeal of Tuition Tax Credit	22.0
Available FY01 Revenues	\$ 9,637.9
FY00 Enacted Appropriations	\$ 9,267.3
Net Increase Available for Spending	\$ 370.6

HIGHLIGHTS OF THE EXECUTIVE BUDGET RECOMMENDATION

Every annual budget represents compromises between competing priorities. The fiscal year 2001 Executive Budget recommendation is no exception. This year, the competing priorities include returning more dollars to the taxpayers, investing in education and providing adequate funding for essential government services. Michigan is on the right path — the path of controlled spending, lower taxes, and investing in essential services. The budget I submit to you today moves us further along that path because it is soundly balanced.

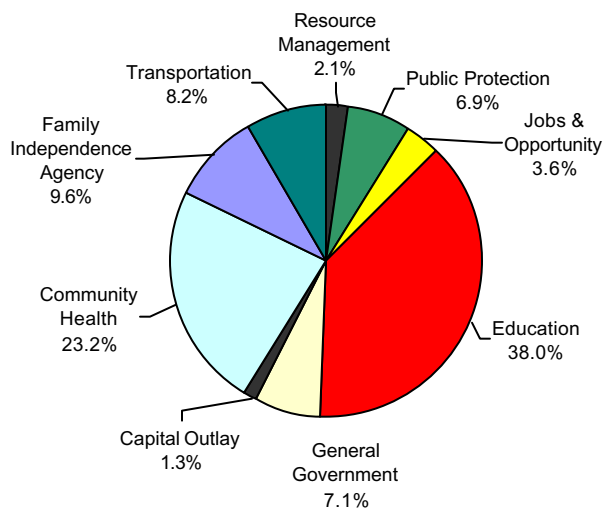
The 2001 budget recommendation totals \$36.2 billion, which includes \$9.6 billion in general fund spending as well as \$10.1 billion for the School Aid Fund. The total spending increase is \$1.3 billion or 3.7 percent. School aid spending is recommended to increase by \$518 million or 5.1 percent from the current year.

While governmental budgets tend to be categorized into separate funds and accounts, it is important to note what portion of the total budget is spent on individual services.

For instance, \$13.8 billion, or 38 percent, of the state's overall budget is spent on education including the K-12 system, universities, financial aid, and community colleges. More than \$9.6 billion is spent on health-related items including Medicaid, mental health services, public health, veteran's homes, services to seniors, and employee and retiree health insurance. In fact, health care costs account for one-third of general fund spending in the fiscal year 2001 budget.

Highlights of the Executive Budget recommendation include spending increases for schools, health care, public protection, agriculture, higher education, local revenue sharing and transportation. The budget also contains supplemental appropriations, supported by federal and restricted sources, for a number of new and innovative programs. These programs include a summer family enrichment program, a Michigan affordable housing fund, individual development accounts, a teen pregnancy reduction project, Golden Apple Awards, and access to technology for teachers.

**Fiscal Year 2001
Total Recommended Expenditures**

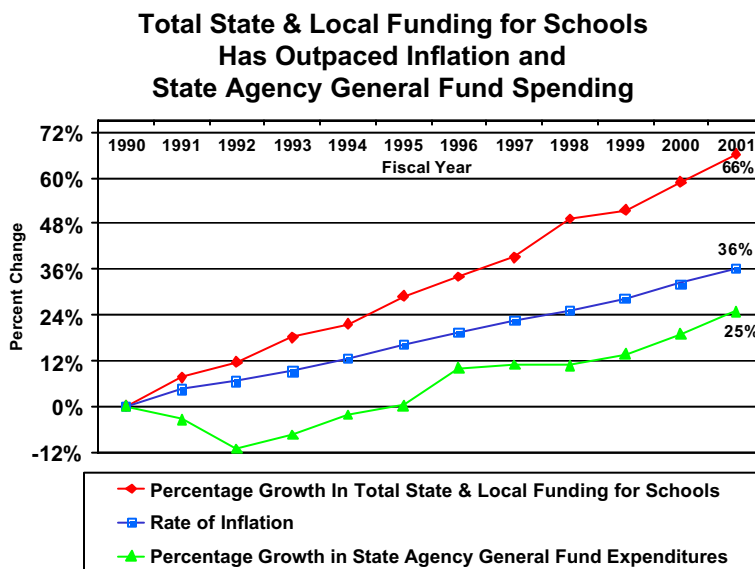
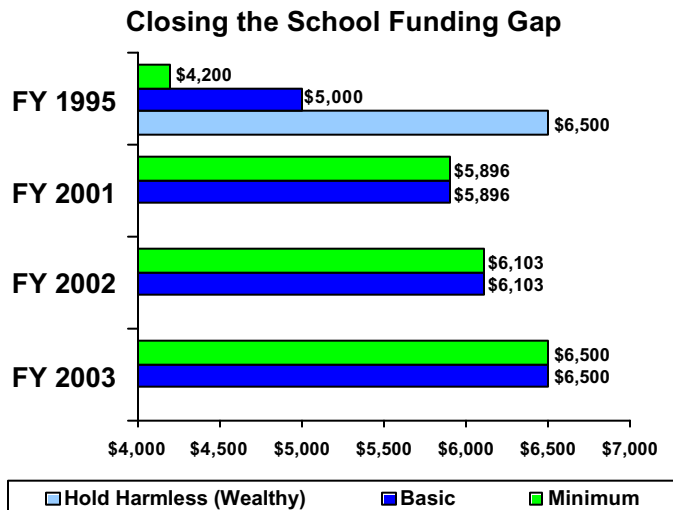


K-12 EDUCATION FULL FUNDING, FULL FREEDOM, FULL CHOICE

Governor Engler is proposing a comprehensive education package that will fully fund the school equity promise of Proposal A and provide parents and students with an unprecedented level of freedom and choice.

This year, the Governor is proposing a multi-year School Aid budget, providing appropriations for fiscal years 2000 through 2003 that establishes a minimum foundation grant of \$6,500 for every child attending a Michigan public school. When Proposal A was passed in 1994, only 52 of Michigan's 555 school districts were spending more than \$6,500 per

pupil. At the time, these districts were considered the "wealthy" school districts. This multi-year budget, when fully implemented, will mean funding that was considered exceptional a few years ago, will become universal.



In addition, to fully funding the foundation grant, the Governor's multi-year School Aid budget places an emphasis on early intervention to prepare children for school, rewards most improved schools and highest achieving schools, provides funding for computers and Internet training, and increases funding for adult learning. Total state and local funding for schools is estimated to exceed \$12.5 billion in fiscal year 2000, climb to \$13.2 billion by fiscal year 2001, grow to

\$13.7 billion in fiscal year 2002, and \$14.3 billion in fiscal year 2003. In fact, since fiscal year 1998, the state has consistently spent more state dollars on K-12 education than is spent in the entire general fund budget.

Promoting Achievement— The Governor continues to place great emphasis on academic achievement by setting high expectations and rewarding excellence. In his State of the State address, the Governor announced the Golden Apple Award, a new academic competition that rewards local elementary school personnel for their student's achievement on the Michigan Education Assessment Program (MEAP) tests. Every full time employee, from custodian to principal, in buildings which demonstrate the most improvement in scores or have the highest test scores will receive a \$1,000 cash award. The K-12 budget includes annual appropriations of \$8 million to implement this new awards program.

Supporting the Use of Technology in Education To insure that Michigan teachers are ready for the 21st century, the Governor sets aside \$110 million (\$55 million in both fiscal years 2001 and 2002) to train teachers on effective use of computers and technology in the classroom. Teachers will be provided computers and Internet access upon completion of course work.

Meeting Our Constitutional Obligations The Governor's K-12 budget satisfies the state's constitutional obligations that were at issue in a recent Court of Appeals decision (Durant II). The constitutional issues involved special education funding (Headlee) and the per pupil foundation allowance guaranteed by Proposal A. It was not necessary to add additional funding to the K-12 budget in order to comply with either constitutional requirement. Rather, beginning in fiscal year 2001, the budget implements accounting changes which explicitly demonstrate the state's compliance with the Court of Appeals decision. Additional dollars were not necessary because the state has already increased its funding levels far beyond the 1995 levels guaranteed by Proposal A.

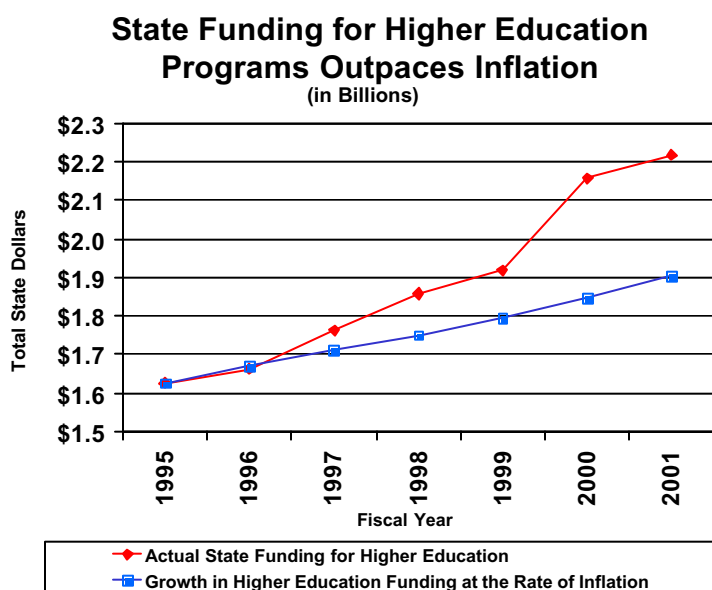
Calculations to determine the amount of state dollars owed to school districts for general and special education foundation allowance grants, and for special education and special education transportation payments will continue to be made as they have in previous years. To ensure that the state has met its constitutional obligations, the total amount of these dollars will be distributed to local school districts as follows:

- ♦ A Proposal A obligation payment will be made to local school districts based upon their fiscal year 1995 foundation allowance amount.
- ♦ A Headlee obligation payment will be made to local school districts based upon court calculated requirements for special education and special education transportation costs.
- ♦ A discretionary payment will be made to local school districts equal to the difference between the combined Proposal A and Headlee obligations and the dollar amount the district would have received in that year.

No district will receive more or less dollars than they would otherwise receive under current formulas.

Other Educational K-12 Initiatives The Executive Budget also expands the school readiness program; provides for elementary summer school opportunities; adds \$20 million to expand the adult learning partnership; and provides funds to establish the Educational Performance and Information Center. In addition, the following one-time appropriations are recommended: \$10 million in fiscal year 2000 for collaboration with the Family Independence Agency— Summer Enrichment Program for welfare clients and their families, and \$15 million in fiscal year 2001 to establish a virtual high school.

FUNDING A WORLD CLASS HIGHER EDUCATION SYSTEM



The Governor's budget continues his commitment to ensuring that Michigan's universities and community colleges are accessible, affordable, and accountable. Since fiscal year 1991, the general fund budget for higher education has increased by \$562 million. This is nearly a 50 percent increase — compared to inflation of 30.4 percent over the same time period. The fiscal year 2001 budget for higher education totals \$2.2 billion, including \$2.0 billion in general fund support. The budget

provides a 3 percent overall increase in operating support for universities and community colleges. A \$37.3 million or 2 percent fiscal year 2000 supplemental is provided for special maintenance and technology needs, boosting the state's overall funding increase to 5 percent.

SERVICES TO SUPPORT AND INCREASE INDEPENDENCE

Michigan's welfare reform efforts continue to produce extraordinary results. A reduction of nearly 15,000 welfare cases is expected between fiscal year 2000 and 2001, continuing the downward trend since the early 1990s. In fact, cash assistance caseloads have declined 72 percent since 1992, when Michigan's welfare reform efforts began. Meanwhile, day care caseloads have grown 420 percent during the same time period and, by 2001, will exceed welfare caseloads by over 10,000 cases, enabling low-income families to obtain and keep jobs.

However, some families are still unable to secure employment. It is essential that, during these good economic times, we leave no stone unturned to assist these families. Therefore, the Governor's budget proposes several initiatives to foster the transition to independence.

The budget includes \$50 million to finance a **Family Opportunity Project** which will consist of the following initiatives:

Summer Family Enrichment Program —

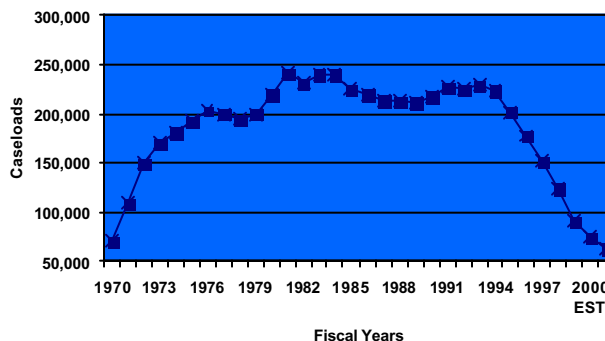
As announced in the Governor's State of the State message, we propose an intensive, family-centered initiative this summer to assist welfare families without employment. The adults in the family will be assessed to determine barriers to employment and a range of services will be provided to make them more work-ready, including mentor services, life skills training, parenting education, volunteer opportunities, job club and job search support. In addition, on-site child care and tutoring services will be provided to the children to provide them with safe, productive and educational summer opportunities. This exciting new initiative will be funded with Federal Temporary Assistance to Needy Families (TANF) and School Aid funds.

Housing Assistance— In order to obtain and maintain employment, it is essential that families have access to quality, affordable housing. Utilizing available TANF funds, the Governor recommends additional funding to increase home-ownership among low income families. A \$25 million Michigan Affordable Housing Fund, administered by the Michigan State Housing Development Authority, will support lease-to-purchase programs, Habitat for Humanity, support for housing developers and other innovative home-ownership programs.

Individual Development Accounts The Family Opportunity Project also includes funding for the state to provide match funds to help low-income families save for a down-payment on a home through Individual Development Accounts (IDA). IDAs are savings accounts whereby low-income families can save for major life purchases (i.e., home ownership, higher education, or entrepreneurial business establishment) without the savings affecting their eligibility for financial assistance. Currently, the Family Independence Agency provides limited funding for non-profit organizations that want to establish an IDA program. We recommend a major expansion of this program to match- and increase- family savings and encourage home ownership.

This budget also proposes statewide expansion of Project Zero. A highly successful program, Project Zero assists welfare families to find employment. Since the program began in 1996, 33 sites have achieved 100 percent employment.

Welfare Cases Fall to Lowest Level Since FY 1970



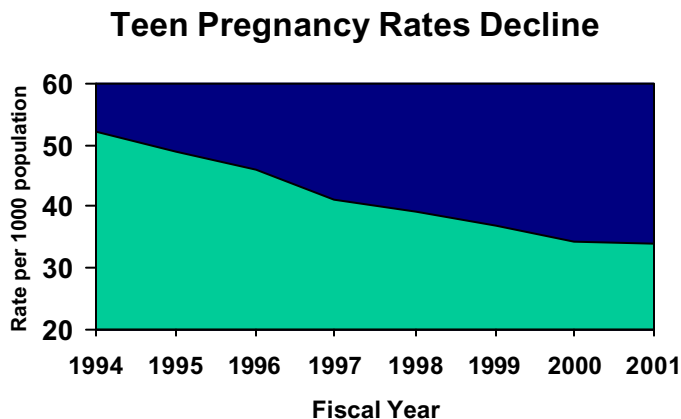
Because of its proven-track record, and its phenomenal success in helping clients find jobs, the Governor proposes a \$3 million funding increase in order to expand this program statewide.

Finally, this budget recommends substantial increases in educational assistance. In order to move into higher paying jobs, many families need additional job skills or post-secondary education. As already discussed, this budget makes a number of significant investments in the education of our children. It is equally important that adults have access to the job skills that they need to secure and maintain employment. To address this critical need, the Governor recommends that funding for adult learning be increased 25 percent, from \$80 million to \$100 million, and that we create a new “Partnership for Adult Learning” between workforce development boards, local schools, community colleges, citizens and employers.

SERVICES TO CHILDREN AND FAMILIES

The Governor’s long-standing policy of supporting programs that strengthen families and protect children is demonstrated by the proposed enhancements described below.

Tax Relief —As announced in his State of the State message, the Governor is proposing additional tax relief to benefit working families in the state. The additional tax relief includes an acceleration of the income tax cut, an increase in personal exemptions for children and a new exemption for children with disabilities.



Teen Pregnancy Reduction Efforts

Michigan recently received Federal bonus funding of \$20 million because of our success in reducing out-of-wedlock births. However, Michigan’s out-of-wedlock birth rate still exceeds the national average. Therefore, we must intensify our efforts to reduce out-of-wedlock births, particularly teen births. The Governor proposes that the bonus funding be used to increase and replicate those teen pregnancy services with a proven track record of success, focusing on male and female

high school and middle school students in communities with high teen pregnancy rates. In addition, a portion of the funding will be used to strengthen paternity identification rates so that every child born in Michigan has support from both his mother and father.

Child Abuse and Neglect Unfortunately, despite significant investment of state resources in child abuse and neglect services in the past, child abuse remains a problem. To address this problem, the Governor proposes that we invest \$13.1 million to immediately bring the Children's Trust Fund to its statutory goal of \$20 million. This one-time supplemental will increase annual spending to further support efforts to fight child abuse and neglect.

"There is no excuse for child abuse. Every child deserves a chance at childhood."

**Governor Engler,
1997 State of State Address**

To secure the best possible care for those children who need to be removed from their parents' home, the Governor recommends investing an additional \$1 million in efforts to recruit, train and retain high quality foster families. This budget also recommends that payment rates for foster and adoptive parents be increased by 3 percent to keep pace with inflation.

Domestic violence—Child abuse and domestic violence are often linked. The fiscal year 2001 budget recommends a \$650,000 increase in domestic violence funding. To help break the cycle of abuse, a portion of this funding will be directed toward specialized services for children who witness violence in their home.

In addition, due to an increasing child abuse litigation caseload, \$767,000 is added to the Attorney General budget for legal representation and prosecution of child welfare cases in Wayne County.

Cost of Living Adjustments—Adults in some families who are unable to work are receiving cash assistance from the state. A three percent cost-of-living adjustment is recommended for families whose adult caretaker is exempt from work requirements due to disability. In addition, to support low-income families who are providing care for children from their extended family (e.g., nieces, nephews, grandchildren) this budget recommends an increase of over 20 percent (from \$200 to \$242) in their monthly assistance check.

Immunization Funding—As Federal support for Michigan's immunization program is declining, the Governor's budget includes a \$2.6 million increase in state funding to maintain our commitment to this important program. Michigan has made great strides in increasing the immunization rates in Michigan – from a low of 42 percent in 1991 to an estimated 85 percent in 1999. With this additional funding, we can meet our goal of immunizing 92 percent of children next year.

SERVICES FOR ELDERLY AND PERSONS WITH DISABILITIES

As with children and families, the Governor's budget recommends a number of initiatives to address the needs of our elderly and disabled citizens.

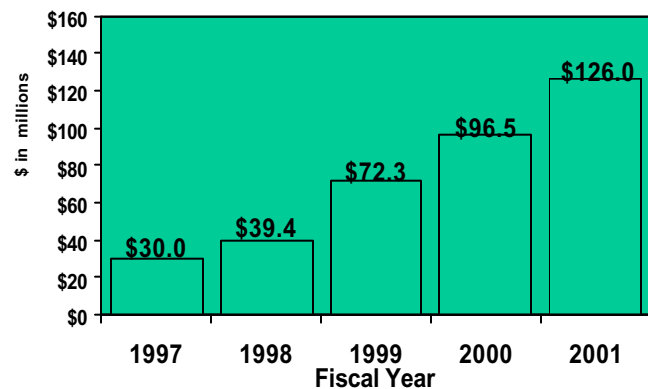
Tax Relief—As announced in the 2000 State of the State address, the Governor is recommending a number of tax changes to benefit the elderly and disabled. This budget recommends simplification and expansion of the personal exemption for seniors and persons with disabilities. The Governor recommends combining the special personal exemption to a uniform \$1,800, effectively doubling the special exemption for most senior citizens.

In addition, to assist persons with disabilities who are living independently in their own homes, we propose to treat disabled citizens the same as senior citizens and increase the Homestead Property Tax Credit for them.

In-Home Services—Many seniors and persons with disabilities want to remain independent and stay in their own homes as long as possible. This budget contains a number of initiatives to help them remain independent.

The Governor recommends a 74 percent increase in funding for the MIChoice program, increasing funding from \$72 million to \$126 million. The MIChoice waiver program allows Michigan's low-income elderly and disabled populations to receive nursing home-type services in their own home or other residential setting. This popular program, begun in 1992, now serves 9,000 adults, and will expand to 15,000 with the funding increase.

Home and Community Based Waiver Expenditures



As a complement to the MIChoice waiver program, Michigan also operates the Adult Home Help program, which finances in-home assistance for individuals with disabilities. This budget provides \$158.8 million to continue this valuable program.

The Governor also recommends adding \$500,000 for the Centers for Independent Living. This will increase their state support by 21 percent and enable them to assist more clients to achieve and maintain independence.

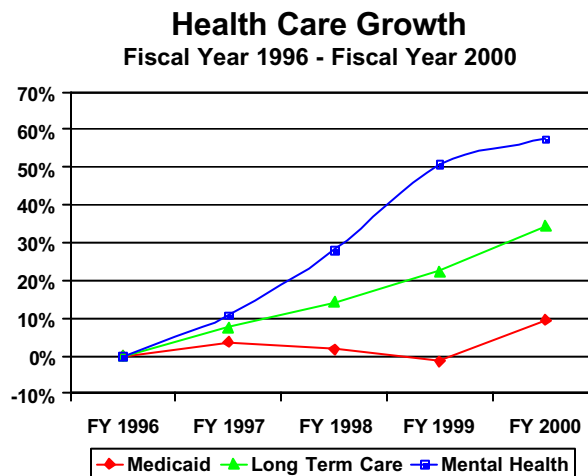
Prescription Coverage—Michigan currently provides a limited pharmaceutical tax credit and also operates an emergency assistance program for our state's senior citizens. Pharmaceutical costs, however, still impose a substantial financial burden on many seniors. To address the limitations in the existing programs and provide a more extensive benefit package, the Governor recommends that the Elder Prescription Insurance Coverage (EPIC) program be implemented on January 1, 2001.

This program will provide comprehensive prescription drug benefits for seniors with incomes below 200 percent of poverty. Since the EPIC program provides a much better benefit than the existing programs, we recommend that the tax credit and emergency programs end on December 31, 2000. Starting in fiscal year 2002, the \$20 million spent on the discontinued programs will be combined with \$30 million in Tobacco Settlement Trust Fund revenues to support the EPIC program. This 150 percent increase in senior pharmaceutical assistance funding will substantially reduce prescription drug costs for Michigan's low income senior citizens.

HEALTH CARE & MEDICAID COVERAGE

Although the overall rate of growth in health care costs has dramatically slowed due to managed care efforts in the physical health arena, expenditures for mental health and long term care continue to escalate. From fiscal years 1996 to 2000, mental health expenditures have increased 57 percent and long term care expenditures 34 percent.

During the same time period, the physical health Medicaid program has slowed growth to 9 percent. This is an average increase of only 2.3 percent per year.



Medicaid —The percentage of Medicaid costs financed by the state general funds will decrease again in fiscal year 2001 due to changes in the Federal Medical Assistance Percentage (FMAP). In fiscal year 1999, every dollar spent on Medicaid cost the state 47 cents and the Federal government paid the other 53 cents. In fiscal year 2001 the state share will drop to 44 cents.

Rate Increases for Providers —Public Act 114 of 1999 appropriated over \$85 million in fiscal year 2001 to fund a 4 percent rate increase for hospitals, physicians, and health plans. This discretionary increase exceeds the inflationary increases that would have been required under the expired Boren lawsuit settlements for hospitals. This budget recommends similar rate increases for other physical health providers.

Policy Change Benefits Qualified Health Plans In addition to the 4 percent increase, qualified health plans also benefited from a significant policy change. Effective February 1, 2000, health plans will no longer be required to pay for drugs prescribed by community mental health psychiatrists. This policy change will save health plans over \$30 million, an amount equivalent to an additional 3

percent annual increase. Combined, these increases are more than double the rate of inflation and should be sufficient to support health plan services. However, a competitive bid process, to be conducted in early 2000, will allow the medical care marketplace to determine what payment rates are needed to maintain the quality and integrity of the managed medical care program.

Senate Task Force Recommendations— Establishing health plan payment rates through a new competitive bid process was the primary budget related recommendation made recently by a Senate task force on Medicaid managed care. In addition to the competitive bid process, the task force proposed a number of other changes to improve the relationship between health plans and providers to ensure quality health care for Medicaid patients. The Administration has been working diligently to address these concerns. For example, the Senate's recommendations concerning improved claims processing and claims dispute resolution will be incorporated into the state's contracts with health plans. Additionally, the Insurance Commissioner will soon be unveiling recommendations relating to the health plan solvency issues raised by the task force.

Health Insurance for State Employees and Retirees—The Office of the State Employer is responsible for administration of the state sponsored group insurance plans. Like many private sector plans, health care insurance costs for state employees and retirees are growing. Since fiscal year 1990, health insurance costs have increased 66.6 percent, whereas inflation has only increased by 32.2 percent. Nationally, the cost of health insurance is increasing three times faster than the general inflation rate. In fiscal year 2000, employer paid insurance premiums for active State of Michigan employees will exceed \$400 million and employer premiums for State of Michigan retirees will cost an additional \$220 million. The fiscal year 2001 budget includes \$40.7 million for economic adjustments related to health insurance costs.

Local Programs for Uninsured— In fiscal year 2000, Wayne, Ingham and Muskegon counties operate programs that served both indigent and employed uninsured populations in their counties. These established partnerships will provide health care to approximately 38,000 people in fiscal year 2001. The Executive Budget recommendation includes an additional \$10 million in Tobacco Settlement Trust Fund revenue to expand these types of health coverage partnerships with local governments.

PUBLIC SAFETY

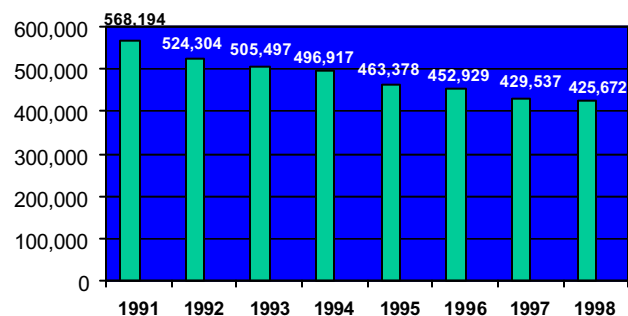
Criminal justice reforms and just punishment for criminal behavior are showing positive results. Serious crime is down by another 1 percent, declining for the seventh consecutive year. Michigan's prison population growth rate has slowed, due in part to lower than projected intake.

Since 1991, the Legislature and the Governor have joined forces to enact anti-crime laws allowing police and prosecutors to bring felons to justice. Certain youthful offenders may be tried as adults. Sentencing guidelines and “truth-in-sentencing” laws ensure that offenders receive consistent, fair sentences and serve the minimum sentences imposed.

Corrections— Our capital outlay investment in new prison beds is paying off. Construction and opening of prison beds this fiscal year allows the Department of Corrections to discontinue leased bed arrangements with the state of Virginia. We will save \$6.6 million annually due to the lower costs of incarceration in Michigan prisons, bring prisoners closer to their families, and keep our tax dollars in Michigan.

Law Enforcement— The Governor maintains his commitment to making Michigan safer by increasing State Police trooper strength to its highest level in 30 years - 1,339 men and women dedicated to serving and defending the citizens of this state. Funding for the 120th recruit school in fiscal year 2001 marks the thirteenth recruit school since 1991. Graduates will join the ranks of the 108th to the 119th Trooper Recruit schools in representing over 51 percent of all enlisted personnel of the Michigan State Police.

Serious Crime Declines for 7th Year



The fiscal year 2001 budget provides funding to keep pace with technological advances and to maintain a trained public safety workforce. As society becomes more dependent on technology, the opportunity for crime on the information super highway also increases. The Michigan State Police will continue its leadership role in computer-related crimes with the expansion of the Computer Crime Unit in southeast Michigan.

State-of-the-art fire fighting methods and procedures are vital to protecting Michigan citizens against fires, hazardous material spills, and search and rescues. Recognizing the increasing financial burden on local communities to keep pace with the costs of training, the fiscal year 2001 budget provides \$500,000 - a 53 percent increase to train, test and certify more than 30,000 fire fighters and nearly 1,100 fire departments.

This fiscal year 2001 budget also contains funding for an improved 911 emergency telephone system, ensuring an emergency call from a cellular phone can be tracked as quickly as a call from your home.

AGRICULTURE

Governor Engler is firmly committed to policies which will conserve green space and keep land in agriculture production, so that we preserve our agricultural industry for future generations. The Executive Budget reflects the tax savings associated with key recommendations of the Agriculture Task Force, chaired by Senator George McManus. One of the key task force proposals supported by the Governor is an amendment to the Michigan Constitution to tax agriculture land on use value, not market value.

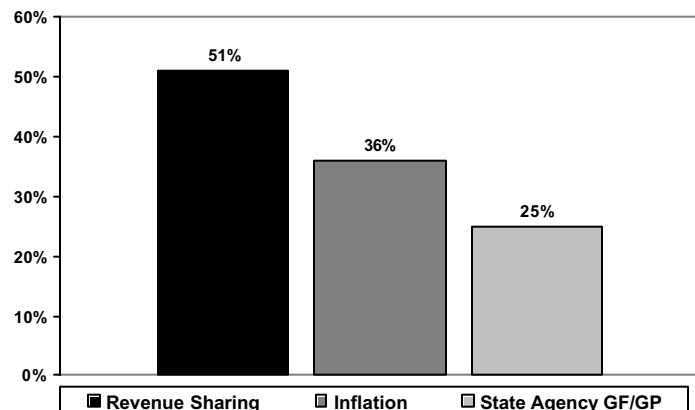
The 2001 budget for the Department of Agriculture totals \$101 million, reflecting a 10 percent increase from current appropriations. The budget includes \$3.4 million to continue the state's efforts to eradicate bovine tuberculosis, \$13.2 million in Equine Industry Development funds, \$29.4 million for various food safety initiatives, and \$6.1 million for Project GREEN — a project designed to develop innovative solutions to emerging issues in plant agriculture.

REVENUE SHARING FOR LOCAL GOVERNMENT

In January of 1999, Governor Engler signed into law a new revenue sharing act. The new law establishes a more equitable distribution formula for local units of government. The new formula eliminates incentives for local government taxation and equalizes disparities in revenue raising capabilities. The new

formula also recognizes the variety of services provided by local governments of different sizes and types.

**Local Spending Above Inflation
State Spending Below Inflation
FY1991 to FY2001**



Revenue sharing distributions are recommended at their full constitutional and statutory limits. Total payments will exceed \$1.55 billion; a \$97 million or 6.6 percent increase from fiscal year 2000. This \$97 million increase builds upon the \$82 million increase local units of government received in fiscal year 2000. These increases represent a 13 percent hike over a two-year period, more than double the projected rate of inflation.

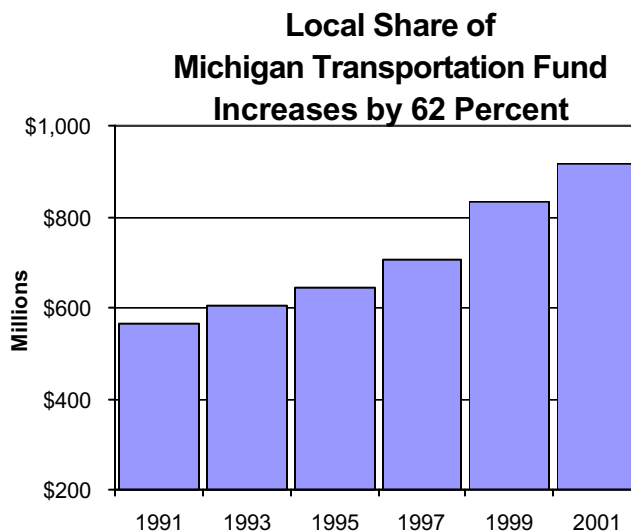
In fiscal year 2000 alone, every township, city, and village other than the City of Detroit received an 8 percent increase. Eight percent reflects the maximum allowable increase for individual communities pursuant to the revenue sharing statute.

Fiscal year 2001 will be the first year the new census count is used to calculate revenue-sharing distributions. According to statute, the 8 percent annual growth limit is removed for all communities whose population increase from the 1990 to the 2000 census exceeds 10 percent. More than 900 local communities are anticipated to exceed the 10 percent threshold. The use of the new census data will also result in dramatic differences between communities in terms of their annual increase from fiscal year 2000 to 2001.

The revenue sharing statute sets Detroit's annual distribution at \$333 million through 2007. While Detroit does not benefit from revenue sharing increases, they are protected from what would have been a significant reduction in their annual payment as a result of the 2000 census count.

BUILDING FOR THE 21ST CENTURY

The Governor's Build Michigan II investment plan is delivering on his commitment to make Michigan's transportation infrastructure second to none. Motorists and commercial interests already are seeing the results of a Build Michigan II strategy that fixes the worst roads and bridges first, while substantially increasing the share of long-term fixes. The Governor's 2001 budget recommendation for the Department of Transportation totals nearly \$3 billion, over 46 percent of which will be shared with local agencies.



In the near future, the Governor will be announcing the details of his new Build Michigan III program that will invest an additional \$1 billion over the next 5 years for key road projects that relieve congestion, reduce delays, improve safety, and support Michigan's booming economy. These Build Michigan III projects are over and above those announced this week in the department's five-year plan. I will be submitting an Executive Budget revision to you in the next few weeks that will outline the components of the innovative new Build Michigan III plan.

CENSUS 2000: PLANNING FOR THE FUTURE

To ensure that Michigan receives its share of federal funding and the Congressional representation that it deserves, Governor Engler kicked off a statewide campaign, “*How America Knows What Michigan Needs*,” an effort to make sure that all of the residents of Michigan are counted in the upcoming 2000 census. Census 2000 will serve as the primary source for determining the annual distribution of \$180 billion in federal funds to the 50 states, and its importance to all of the people of the State of Michigan cannot be overstated. Over the next few months, we will be working with state legislators and local units of government to insure the most complete census count in Michigan’s history.

CONCLUSION

Our progress is gaining momentum, which gives us the confidence to know that Michigan’s best days are on the horizon — that tomorrow will be better than today — and that our children will inherit a state that is rich with promise and opportunity.

Recommendation Summary

General Fund/General Purpose
Net of Program Transfers

Department	FY00 Appropriations	FY2001 Executive Recommendation	Change FY00 to FY2001	
			Amount	Percent
Agriculture	\$45,883,900	\$50,469,800	\$4,585,900	9.99%
Attorney General	32,078,800	35,168,100	3,089,300	9.63%
Capital Outlay	277,924,800	312,814,600	34,889,800	12.55%
Career Development	22,606,900	23,958,600	1,351,700	5.98%
Civil Rights	12,989,300	14,338,500	1,349,200	10.39%
Civil Service	10,797,200	11,218,900	421,700	3.91%
Community Health	2,636,145,000	2,636,991,200	846,200	0.03%
Consumer and Industry Services	77,857,500	79,344,600	1,487,100	1.91%
Corrections	1,486,579,100	1,619,082,700	132,503,600	8.91%
Education	34,720,900	32,698,700	(2,022,200)	-5.82%
Environmental Quality	96,246,400	99,825,000	3,578,600	3.72%
Executive Office	5,425,100	5,679,600	254,500	4.69%
Family Independence Agency	1,088,729,500	1,206,610,000	117,880,500	10.83%
Higher Education:				
Community Colleges	297,228,000	306,198,478	8,970,478	3.02%
Universities/Grants & Fin. Aid	1,679,309,300	1,729,750,562	50,441,262	3.00%
Judiciary	161,482,900	168,555,100	7,072,200	4.38%
Legislature	101,711,700	104,896,100	3,184,400	3.13%
Legislative Auditor General	12,522,500	13,017,500	495,000	3.95%
Library of Michigan	34,258,100	34,714,900	456,800	1.33%
Management and Budget	45,495,300	46,960,800	1,465,500	3.22%
Michigan Strategic Fund	64,907,200	65,602,900	695,700	1.07%
Military and Veterans Affairs	39,700,500	41,206,900	1,506,400	3.79%
Natural Resources	51,495,000	55,723,900	4,228,900	8.21%
School Aid	420,613,500	420,613,500	0	0.00%
State	60,089,000	64,506,400	4,417,400	7.35%
State Police	268,719,900	296,363,400	27,643,500	10.29%
Transportation	0	0	0	0.00%
Treasury	71,229,500	70,235,200	(994,300)	-1.40%
Debt Service	93,417,500	90,870,500	(2,547,000)	-2.73%
BSF	37,100,000	0	(37,100,000)	-100.00%
TOTAL	\$9,267,264,300	\$9,637,416,440	\$370,152,140	3.99%

Recommendation Summary

Federal Funds
Net of Program Transfers

Department	FY00 Appropriations	FY2001 Executive Recommendation	Change FY00 to FY2001	
			Amount	Percent
Agriculture	\$5,249,900	\$6,037,000	\$787,100	14.99%
Attorney General	6,401,700	6,816,000	414,300	6.47%
Capital Outlay	91,087,800	99,361,000	8,273,200	9.08%
Career Development	466,707,700	468,818,800	2,111,100	0.45%
Civil Rights	1,634,000	934,000	(700,000)	-42.84%
Civil Service	4,779,100	4,779,100	0	0.00%
Community Health	4,188,318,300	4,380,058,900	191,740,600	4.58%
Consumer and Industry Services	219,090,000	231,507,800	12,417,800	5.67%
Corrections	25,686,400	26,633,600	947,200	3.69%
Education	862,136,600	871,088,900	8,952,300	1.04%
Environmental Quality	126,831,500	129,737,500	2,906,000	2.29%
Executive Office	0	0	0	0.00%
Family Independence Agency	2,374,089,800	2,124,055,000	(250,034,800)	-10.53%
Higher Education:				
Community Colleges	0	0	0	0.00%
Universities/Grants & Fin. Aid	3,900,000	3,900,000	0	0.00%
Judiciary	3,077,800	3,103,300	25,500	0.83%
Legislature	0	0	0	0.00%
Legislative Auditor General	0	0	0	0.00%
Library of Michigan	4,557,400	4,557,400	0	0.00%
Management and Budget	536,400	550,500	14,100	2.63%
Michigan Strategic Fund	53,203,200	52,673,200	(530,000)	-1.00%
Military and Veterans Affairs	32,477,400	35,952,600	3,475,200	10.70%
Natural Resources	22,268,200	24,649,100	2,380,900	10.69%
School Aid	120,000,000	120,000,000	0	0.00%
State	3,112,100	2,704,700	(407,400)	-13.09%
State Police	32,216,400	33,949,300	1,732,900	5.38%
Transportation	815,921,000	918,449,000	102,528,000	12.57%
Treasury	39,800,000	33,800,000	(6,000,000)	-15.08%
Debt Service	0	0	0	0.00%
TOTAL	\$9,503,082,700	\$9,584,116,700	\$81,034,000	0.85%

Recommendation Summary

Other State, Private and Local Funds

Net of Program Transfers

Department	FY00 Appropriations	FY2001 Executive Recommendation	Change FY00 to FY2001	
			Amount	Percent
Agriculture	\$32,044,300	\$34,484,000	\$2,439,700	7.61%
Attorney General	7,965,000	8,683,700	718,700	9.02%
Capital Outlay	81,048,000	52,819,200	(28,228,800)	-34.83%
Career Development	93,750,700	103,129,000	9,378,300	10.00%
Civil Rights	0	0	0	0.00%
Civil Service	10,709,200	11,107,600	398,400	3.72%
Community Health	1,258,132,000	1,308,449,200	50,317,200	4.00%
Consumer and Industry Services	194,265,100	206,739,700	12,474,600	6.42%
Corrections	48,760,700	50,913,800	2,153,100	4.42%
Education	20,727,900	21,004,900	277,000	1.34%
Environmental Quality	153,732,000	159,537,400	5,805,400	3.78%
Executive Office	0	0	0	0.00%
Family Independence Agency	179,963,100	175,962,200	(4,000,900)	-2.22%
Higher Education:				
Community Colleges	0	10,000,000	10,000,000	0.00%
Universities/Grants & Fin. Aid	91,550,000	105,250,000	13,700,000	0.00%
Judiciary	60,273,900	60,147,200	(126,700)	-0.21%
Legislature	1,441,800	1,441,800	0	0.00%
Legislative Auditor General	293,800	266,600	(27,200)	-9.26%
Library of Michigan	161,900	161,900	0	0.00%
Management and Budget	42,413,800	43,905,200	1,491,400	3.52%
Michigan Strategic Fund	50,706,700	50,706,700	0	0.00%
Military and Veterans Affairs	22,784,100	23,363,200	579,100	2.54%
Natural Resources	174,981,400	170,186,000	(4,795,400)	-2.74%
School Aid	9,617,477,700	10,135,460,700	517,983,000	5.39%
State	61,483,400	64,846,100	3,362,700	5.47%
State Police	45,606,200	46,566,900	960,700	2.11%
Transportation	1,982,165,200	2,055,856,100	73,690,900	3.72%
Treasury	1,663,414,300	1,808,695,700	145,281,400	8.73%
Debt Service	700,000	700,000	0	0.00%
TOTAL	\$15,896,552,200	\$16,710,384,800	\$813,832,600	5.12%

Recommendation Summary

All Funds
Net of Program Transfers

Department	FY00* Appropriations	FY2001** Executive Recommendation	Change FY00 to FY2001	
			Amount	Percent
Agriculture	\$91,750,000	\$100,671,600	\$8,921,600	9.72%
Attorney General	55,132,300	60,686,700	5,554,400	10.07%
Capital Outlay	455,560,600	471,994,800	16,434,200	3.61%
Career Development	584,112,300	596,954,400	12,842,100	2.20%
Civil Rights	14,623,300	15,272,500	649,200	4.44%
Civil Service	28,585,500	30,405,600	1,820,100	6.37%
Community Health	8,152,205,200	8,397,586,600	245,381,400	3.01%
Consumer and Industry Services	495,233,500	521,735,700	26,502,200	5.35%
Corrections	1,567,641,800	1,703,340,600	135,698,800	8.66%
Education	918,670,100	925,310,500	6,640,400	0.72%
Environmental Quality	393,588,600	406,611,600	13,023,000	3.31%
Executive Office	5,425,100	5,679,600	254,500	4.69%
Family Independence Agency	3,642,932,400	3,507,392,200	(135,540,200)	-3.72%
Higher Education:				
Community Colleges	297,228,000	316,198,478	18,970,478	6.38%
Universities/Grants & Fin. Aid	1,774,759,300	1,838,900,562	64,141,262	3.61%
Judiciary	227,122,000	235,414,100	8,292,100	3.65%
Legislature	103,153,500	106,337,900	3,184,400	3.09%
Legislative Auditor General	14,343,400	14,893,700	550,300	3.84%
Library of Michigan	38,977,400	39,434,200	456,800	1.17%
Management and Budget	140,921,700	163,529,800	22,608,100	16.04%
Michigan Strategic Fund	168,917,100	169,082,800	165,700	0.10%
Military and Veterans Affairs	94,962,000	100,522,700	5,560,700	5.86%
Natural Resources	253,387,700	254,238,400	850,700	0.34%
School Aid	10,158,091,200	10,676,074,200	517,983,000	5.10%
State	181,515,300	187,725,200	6,209,900	3.42%
State Police	368,850,300	398,599,100	29,748,800	8.07%
Transportation	2,808,545,700	2,984,764,600	176,218,900	6.27%
Treasury	1,783,254,400	1,921,909,300	138,654,900	7.78%
Debt Service	94,117,500	91,570,500	(2,547,000)	-2.71%
BSF	37,100,000	0	(37,100,000)	-100.00%
TOTAL	\$34,950,707,200	\$36,242,837,940	\$1,292,130,740	3.70%

Note: * FY00 All Funds includes Interdepartmental Grants and Intradepartmental Transfers of \$283,808,000.

** FY2001 All Funds includes Interdepartmental Grants and Intradepartmental Transfers of \$310,819,000.

Fiscal Year 2001

Executive Budget Recommendation

(Amounts in Thousands)

Department	FY2000 Current Law		FY2001 Executive Budget Recommendation	
	Gross	GF/GP	Gross	GF/GP
Agriculture	91,750.0	45,883.9	100,671.6	50,469.8
Attorney General	55,132.3	32,078.8	60,686.7	35,168.1
Capital Outlay	455,560.6	277,924.8	471,994.8	312,814.6
Career Development	584,112.3	22,606.9	596,954.4	23,958.6
Civil Rights	14,623.3	12,989.3	15,272.5	14,338.5
Civil Service	28,585.5	10,797.2	30,405.6	11,218.9
Community Health	8,152,205.2	2,636,145.0	8,397,586.6	2,636,991.2
Consumer and Industry Services	495,233.5	77,857.5	521,735.7	79,344.6
Corrections	1,567,641.8	1,486,579.1	1,703,340.6	1,619,082.7
Education	918,670.1	34,720.9	925,310.5	32,698.7
Environmental Quality	393,588.6	96,246.4	406,611.6	99,825.0
Executive Office	5,425.1	5,425.1	5,679.6	5,679.6
Family Independence Agency	3,642,932.4	1,088,729.5	3,507,392.2	1,206,610.0
Higher Education:				
Community Colleges	297,228.0	297,228.0	316,198.5	306,198.5
Universities/Grants & Fin. Aid	1,774,759.3	1,679,309.3	1,838,900.6	1,729,750.6
Judiciary	227,122.0	161,482.9	235,414.1	168,555.1
Legislature	103,153.5	101,711.7	106,337.9	104,896.1
Legislative Auditor General	14,343.4	12,522.5	14,893.7	13,017.5
Library of Michigan	38,977.4	34,258.1	39,434.2	34,714.9
Management and Budget	140,921.7	45,495.3	163,529.8	46,960.8
Michigan Strategic Fund	168,917.1	64,907.2	169,082.8	65,602.9
Military and Veterans Affairs	94,962.0	39,700.5	100,522.7	41,206.9
Natural Resources	253,387.7	51,495.0	254,238.4	55,723.9
School Aid (a)	10,158,091.2	420,613.5	10,676,074.2	420,613.5
State	181,515.3	60,089.0	187,725.2	64,506.4
State Police	368,850.3	268,719.9	398,599.1	296,363.4
Transportation	2,808,545.7	0.0	2,984,764.6	0.0
Treasury	1,783,254.4	71,229.5	1,921,909.3	70,235.2
Debt Service	94,117.5	93,417.5	91,570.5	90,870.5
BSF	37,100.0	37,100.0	0.0	0.0
TOTAL	34,950,707.2	9,267,264.3	36,242,837.9	9,637,416.4

State Spending from State Sources and Payments to Local Units of Government

	<u>State Spending From State Sources</u>	<u>Payments to Local Units of Government</u>
Agriculture	\$83,831,900	\$3,100,000
Attorney General	42,702,600	0
Capital Outlay	348,261,800	28,770,000
Career Development	109,454,400	0
Civil Rights	14,338,500	0
Civil Service	20,476,500	0
Community Health	2,017,939,900	999,699,100
Consumer and Industry Services	285,338,400	28,125,000
Corrections	1,669,567,000	81,056,300
Education	46,736,300	14,054,400
Environmental Quality	257,838,600	6,519,900
Executive Office	5,679,600	0
Family Independence Agency	1,265,275,400	142,932,000
Higher Education:		
Community Colleges	316,198,478	306,198,478
Universities/Financial Aid	1,835,000,562	4,670,654
Judiciary	224,557,400	113,701,000
Legislature	105,937,900	0
Legislative Auditor General	13,284,100	0
Library of Michigan	34,801,800	21,783,200
Management and Budget	90,866,000	0
Michigan Strategic Fund	115,652,900	0
Military and Veterans Affairs	64,195,100	120,000
Natural Resources	224,181,000	23,868,700
School Aid	10,556,074,200	9,926,830,300
State	128,850,900	69,800
State Police	339,435,000	19,884,100
Transportation	2,050,156,100	1,157,693,500
Treasury	1,968,620,100	1,644,168,200
	<hr/>	<hr/>
Total	<u><u>\$24,235,252,440</u></u>	<u><u>\$14,523,244,632</u></u>

Percentage of State Spending from State Sources
as Payments to Local Units of Government

59.93%

State School Aid

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$749,134.1			\$420,613.5	\$420,613.5	\$420,613.5
All Funds	\$2,992,824.9			\$9,663,904.6	\$10,158,091.2	\$10,676,074.2
	% Change - GF/GP				0.00%	0.00%
	% Change - All Funds				5.11%	5.10%

KEY ISSUES	GF/GP	All Funds
3.5% Foundation Allowance Increase Plus Adjustments in Pupil Count and Local Revenue Estimates	\$0.0	\$287,468.0
Special Education Increased Costs	\$0.0	\$39,158.9
Durant II Net Funding Adjustments	\$0.0	\$0.0
Teacher Technology Initiative	\$0.0	\$55,000.0
Summer School for Second, Third & Fourth Graders	\$0.0	\$38,000.0
Fully Fund At-Risk Program	\$0.0	\$28,055.3
Expand School Readiness Program Enrollment by 4,000 and Increase Funding for Full Day Programs	\$0.0	\$27,500.0
Increase Funding for Adult Learning	\$0.0	\$20,000.0
Michigan Virtual High School	\$0.0	\$15,000.0
Provide MEAP Incentive Bonuses	\$0.0	\$8,000.0
Combine School Lunch Appropriations in School Aid Act	\$0.0	\$7,368.7
Increase ISD Operations Funding by 3.5%	\$0.0	\$2,912.1
Educational Performance & Information Center	\$0.0	\$2,160.0
Eliminate One-Time FY00 Detroit City Schools Payment	\$0.0	(\$15,000.0)
Other Adjustments	<u>\$0.0</u>	<u>\$2,360.0</u>
Subtotal	\$0.0	\$517,983.0
FY 2001 Executive Recommendation	\$420,613.5	\$10,676,074.2

State School Aid

(Amounts In Thousands)

Funding History

	FY90			FY01	FY02	FY03
GF/GP	\$749,134.1			\$420,613.5	\$420,613.5	\$420,613.5
All Funds	\$2,992,824.9			\$10,676,074.2	\$11,067,844.4	\$11,532,624.1
	% Change - GF/GP				0.00%	0.00%
	% Change - All Funds				3.67%	4.20%

KEY ISSUES	FY02 All Funds	FY03 All Funds
Foundation Allowance Increases of 3.5% for FY02 and FY03	\$319,000.0	\$307,400.0
Provide FY03 Equity Payment to Raise Minimum Foundation Grant to \$6,500 Per Pupil	\$0.0	\$116,000.0
Special Education Funding Increases	\$65,260.0	\$64,720.0
Increase Summer School for Mandatory 4th Grade Component	\$0.0	\$12,000.0
Increase At-Risk Funding by 3.5%	\$10,464.1	\$10,830.4
Increase Funding for Full Day School Readiness Programs	\$5,000.0	\$5,000.0
Increase ISD Operations Funding by 3.5%	\$3,014.1	\$3,119.5
Eliminate One-Time FY01 Start-Up Funding and Provide Ongoing Support for Michigan Virtual High School	(\$13,500.0)	\$0.0
Eliminate Two-Year Teacher Technology Initiative in FY03	\$0.0	(\$55,000.0)
Other Adjustments	<u>\$2,532.0</u>	<u>\$709.8</u>
Subtotal	\$391,770.2	\$464,779.7
FY 2002 and FY 2003 Executive Recommendations	\$11,067,844.4	\$11,532,624.1

State School Aid

As Michigan enters the 21st century, improving public education remains Governor Engler's top priority. The Governor's budget for School Aid supports his interdependent goals for education of full freedom, full choice and full funding as detailed in his State of the State address.

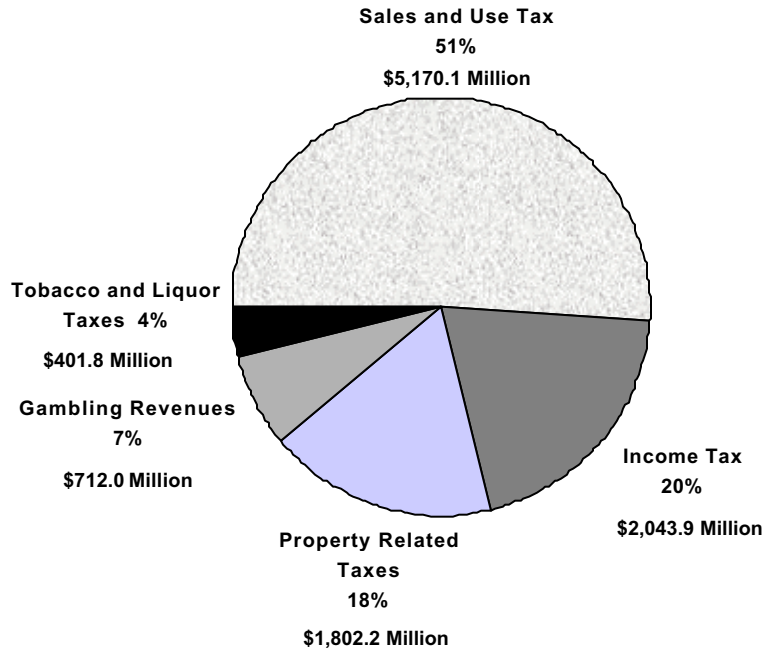
This year, the Governor is proposing a multi-year School Aid budget, providing appropriations through fiscal year 2003. In 1995, when implementation of Michigan's school finance reform began, the wealthiest districts were considered those with foundations at or above \$6,500 per pupil. Under the Governor's proposal, in fiscal year 2003 all school districts will receive at least \$6,500 per pupil. Proposal A has exceeded all expectations.

Since fiscal year 1998, the state has consistently spent more state dollars on K-12 education than is spent in the entire general fund budget. Total state/local funding for schools is estimated to exceed \$12.5 billion in fiscal year 2000, climb to \$13.2 billion by fiscal year 2001, grow to \$13.7 billion in fiscal year 2002, and \$14.3 billion in fiscal year 2003.

Michigan's Economic Success Results in a Healthy School Aid Fund

More than \$10.1 billion in various state revenues are dedicated to the School Aid Fund. Examples of dedicated taxes include \$5.2 billion in sales and use taxes, \$2 billion from income taxes, and \$1.4 billion from the state education property tax. Proceeds from the state's lottery and casinos contribute over \$700 million annually. The remaining School Aid Fund revenues are a combination of other smaller earmarked taxes. Thanks to the thriving Michigan economy, we are fortunate to have healthy reserves in the School Aid Fund, allowing for increased investment in public schools.

School Aid Fund Revenues
Total Earmarked Resources: \$10,130.0 Million



A variety of revenue sources are dedicated to the School Aid Fund

Full Funding for School Aid

The Governor's multi-year budget provides an increase of 3.5 percent in the basic foundation allowance in each of fiscal years 2001, 2002 and 2003. In addition, in fiscal year 2003 an equity payment of up to \$183 per pupil is provided to raise all districts to a minimum foundation allowance of \$6,500 per pupil. These generous increases result in minimum foundations of \$5,896 in fiscal year 2001 (an increase of \$30 over the current fiscal year 2001 foundation allowance of \$5,866), \$6,103 in fiscal year 2002, and \$6,500 in fiscal year 2003.

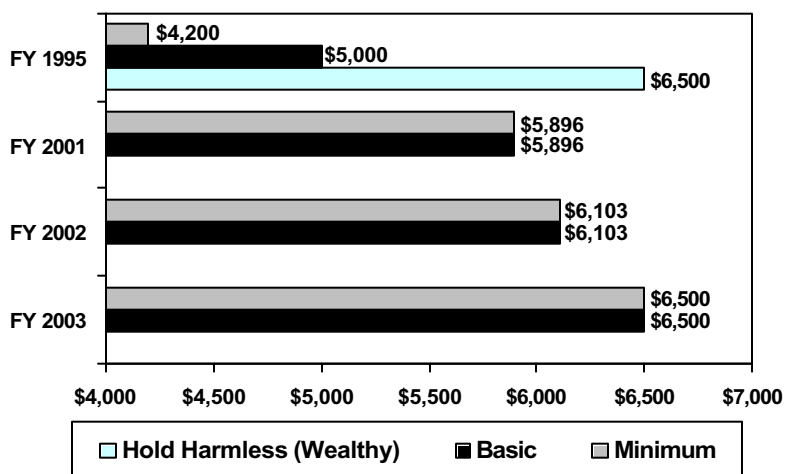
Prior to Proposal A, the school finance reform of 1994, inequities in school funding ranged from \$3,398 per pupil in the lowest spending district to \$10,294 in the highest spending district. With the implementation of Proposal A in fiscal

year 1995, all districts spending below \$4,200 per pupil were raised to \$4,200 - establishing a new minimum foundation level.

Wealthy districts (those spending above \$6,500 per pupil) were authorized to levy additional millages to support their larger foundation allowances.

To lessen the disparity in funding levels, the lowest spending districts have received greater dollar increases in their foundation grants than higher spending

Closing the Funding Gap



districts, gradually moving them toward a benchmark "basic" foundation allowance. In fiscal year 2001, all school districts will be funded at this benchmark level.

*Districts
will
receive no
less than
\$6,500 per
pupil in
2003*

While achieving this goal is monumental, Governor Engler is not content to declare victory on the issue of closing the equity gap between lower- and higher-spending districts. His proposed multi-year budget establishes a new benchmark in per pupil spending: by fiscal year 2003, every school district in Michigan will receive at least \$6,500 per pupil - once considered the threshold for wealthy districts.

The total appropriation in this Executive Recommendation for foundation-related expenses is \$8.9 billion in fiscal year 2001, \$9.2 billion in fiscal year 2002, and \$9.6 billion in fiscal year 2003.

Court Judgment Prompts Clarification of Funding for Constitutional Obligations

Beginning in fiscal year 2001, the proposed budget implements accounting changes which explicitly demonstrate compliance with the recent *Durant v. State of Michigan* court case. In October, 1999, the Michigan Court of Appeals ruled that the State of Michigan had properly funded its Headlee obligations under

the Michigan Constitution related to special education and special education transportation. However, it further ruled that funds guaranteed by Proposal A for total state and local per pupil revenue for school operating purposes could not also be used to satisfy the state's Headlee obligations. As the state has increased funding so far beyond 1995 levels, there is no need to provide additional dollars to comply with the court ruling. Instead a technical change to the School Aid budget will be made to clearly demonstrate that the state is fully meeting its constitutional obligations.

Calculations to determine the amount of state dollars owed to school districts for general education and special education foundations, and for additional special education payments, will continue to be made as they have been in previous years. To ensure that the state has met its constitutional obligations, the total amount of these dollars will be distributed to local school districts as follows:

- A Proposal A obligation payment will be made to school districts based upon their fiscal year 1995 foundation allowance amount.
- A Headlee obligation payment will be made to school districts based upon court-calculated payment requirements of 28.6138% of special education costs and 70.4165% of special education transportation costs.
- A discretionary payment will be made to school districts of the remaining state dollars after constitutional Proposal A and Headlee obligations have been met.

Every district will receive the exact amount of funding they would otherwise receive under current formulas.

Removing Barriers to Learning and Independence

In fiscal year 2001, funding for the state's school readiness program for 4-year-olds is increased by \$12.5 million to give an additional 4,000 children an early start on educational success. An additional \$15 million is recommended to increase the existing \$5 million set-aside to expand school readiness and Head Start programs so that they may operate for a full day. Full day operations allow parents who are working to access these high quality educational programs. This day care supplemental funding is increased by an additional \$5 million in fiscal year 2002, and again in fiscal year 2003.

"Every child must read"

**— John Engler, State of the State
Message, January 19, 2000**

The Governor remains committed to the requirement that all children should be reading at the appropriate grade level by the time they reach the fourth grade. His Reading Plan for Michigan includes federal funding targeted to school buildings in low-income neighborhoods. The School Aid budget adds \$38 million in fiscal years 2001 and 2002, and \$50 million in fiscal year 2003 to ensure that all at-risk children have access to summer school opportunities. Summer school for second, third and fourth graders will be optional in school years 2000-2001 and 2001-2002; beginning in school year 2002-2003, summer school for low-achieving fourth graders will be mandatory.

One-time funding of \$10 million is provided in fiscal year 2000 to be expended in collaboration with the Family Independence Agency on the Summer Family Enrichment Project. This project is one component of FIA's Family Opportunity Project, which uses surplus federal Temporary Assistance for Needy Families (TANF) dollars to support families who have not yet been successful in obtaining employment. The Summer Family Enrichment Project will provide opportunities for families to participate in programs to improve family literacy, parenting skills, home and life management skills, workforce readiness skills, participate in volunteer service and other options. This initiative is unique in that it involves the entire family, including child care and summer school for children.

Increased Opportunities for Exceptional Students

The Governor announced the creation of a Virtual High School in his 2000 State of the State address. Start-up funding of \$15 million is provided in fiscal year 2001 for this initiative, along with ongoing support of \$1.5 million in fiscal years 2002 and 2003. Under the purview of the Michigan Virtual University, the Virtual High School will significantly expand curricular offerings for all high school students across Michigan. This alternative interactive, multimedia, Internet-based, educational delivery system will provide high school students with opportunities for advanced placement courses, dual enrollment with postsecondary institutions, and access to information technology certification programs and other advanced technology courses.

Rewards and Accountability

To ensure that Michigan teachers are ready for the 21st century, the Governor sets aside \$110 million (\$55 million in fiscal year 2001 and again in fiscal year 2002) to reward public school teachers who complete computer technology training. Teachers will be given computers and Internet access upon completion of course work. Districts have the option of delaying the required increase in the minimum hours of instruction over the next two years to provide time for teachers to complete the special technology curriculum.

"Teachers give Engler an "A" for program to donate laptops"

—Laura Berman, Detroit News, January 20, 2000

The Governor also announced the new Golden Apple Award, an academic competition that rewards local elementary school personnel for their students' achievement on the Michigan Education Assessment Program (MEAP) tests. Every full-time employee, from custodians to principals, in buildings with the highest test scores or which demonstrate the most improvement in scores, will receive a \$1,000 reward in addition to the Golden Apple award.

In an exciting new initiative, Michigan is partnering with Standard & Poor's, long known for its ability to help business make better investment decisions, to provide information to the public. This information will allow citizens to compare their district's performance with neighbor districts, peer districts elsewhere in the state, and to the state as a whole. In addition, the Governor is

establishing the Educational Performance and Information Center to enhance the quality, accessibility and usefulness of information on school performance. These initiatives will be launched with funding of \$10 million in fiscal year 2000, \$2.2 million in fiscal year 2001, \$2.3 million in fiscal year 2002, and \$2.5 million in fiscal year 2003.

Partnership for Adult Learning

Beginning in fiscal year 2001, funding for adult learning is increased by 25 percent, from \$80 million to \$100 million. The programs will now be administered by the Department of Career Development while funding will continue to be appropriated in the School Aid budget. Funding will be distributed by local workforce development boards on a competitive basis to adult education service providers. Eligible education providers include local school districts as well as public school academies, community colleges, and community organizations. Policy changes will put a greater emphasis on accountability and link monetary grant awards to success and student achievement. Workforce development boards will be required to document the need for adult education and provide a strategic plan for their local region.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
<p>Increase the percentage of 4th and 7th grade students attaining satisfactory scores on the MEAP mathematics and reading tests by 2.0% of the population tested:</p> <p>4th Grade Math 4th Grade Reading 7th Grade Math 7th Grade Reading</p>	<p> 74.1 58.6 61.4 48.8</p>	<p> 71.7 59.4 63.2 53.0</p>	<p> +2.0% +2.0% +2.0% +2.0%</p>	<p> +2.0% +2.0% +2.0% +2.0%</p>
<p>Increase the percentage of 5th and 8th grade students attaining satisfactory scores on the MEAP science and writing tests by 2.0% of the population tested:</p> <p>5th Grade Science 5th Grade Writing 8th Grade Science 8th Grade Writing</p>	<p> 40.4 64.3 22.0 69.0</p>	<p> 37.5 54.8 23.0 63.5</p>	<p> +2.0% +2.0% +2.0% +2.0%</p>	<p> +2.0% +2.0% +2.0% +2.0%</p>
<p>Increase the percentage of high school students attaining satisfactory scores on the MEAP mathematics, reading, science, and writing tests by 2.0% of the population tested:</p> <p>Math Reading Science Writing</p> <p>Improve the ACT scores of Michigan high school seniors. Maintain a composite score greater than the national average by .2 or more points (the 1998 and 1999 national averages were 21.0).</p> <p>Increase the high school graduation rate by at least two percentage points annually.</p> <p>Increase the percentage of districts with educational choice options by five percentage points annually.</p>	<p> 60.5 58.9 51.7 56.6 21.3 82.7 52.3</p>	<p> 63.6 67.3 51.0 52.5 21.3 84.7 52.8</p>	<p> +2.0% +2.0% +2.0% +2.0% +.2 points + 2.0% 60.5</p>	<p> +2.0% +2.0% +2.0% +2.0% +.2 points +2.0% +5.0%</p>

(Amounts In Thousands)

	FY90			FY99	FY00	FY01
GF/GP	\$1,193,518.7			\$1,600,500.0	\$1,679,309.3	\$1,729,750.6
All Funds	\$1,197,173.8			\$1,604,252.0	\$1,774,759.3	\$1,838,900.6
		% Change - GF/GP			4.9%	3.0%
		% Change - All Funds			10.6%	3.6%

UNIVERSITIES, GRANTS AND FINANCIAL AID

Universities, Grants and Financial Aid

*Over 89%
of higher
education
funding
supports
university
operational
costs*

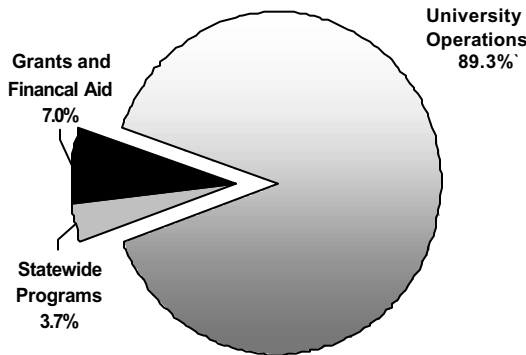
The Governor's fiscal year 2001 recommendation continues his commitment to ensuring that Michigan's higher education institutions are accessible, affordable and accountable. Since fiscal year 1991, the general fund budget for higher education has increased by \$562 million — over 48 percent — well above the 30 percent increase in inflation. The Governor's fiscal year 2001 budget recommends \$1.84 billion total, of which \$1.73 billion is general fund.

University Operations Support Increased

Michigan's system of higher education is one of the most respected in the nation. The Governor's fiscal year 2001 budget continues strong state support for public university operations by recommending an overall increase of \$45.1 million, or 3

percent. The Governor recommends that this overall increase be distributed as follows:

Higher Education Spending Fiscal Year 2001



- A 2.5 percent across-the-board increase for all universities, totaling \$37.7 million; and,
- An additional \$7.4 million (0.5 percent) to increase per student funding for those universities that fall below the floor within their funding tier.

UNIVERSITY OPERATIONS (\$ In Millions)	FY2001
Lake Superior State University	\$ 13.7
University of Michigan – Flint	23.0
Saginaw Valley State University	25.9
University of Michigan - Dearborn	26.7
Oakland University	49.0
Northern Michigan University	50.0
Michigan Technological University	53.1
Ferris State University	53.4
Grand Valley State University	55.8
Central Michigan University	83.5
Eastern Michigan University	84.9
Western Michigan University	120.6
Wayne State University	244.0
Michigan State University	313.6
University of Michigan	347.3
Total	\$1,544.7

The Executive Budget also recommends a \$30 million current year supplemental for infrastructure, technology, and equipment needs at our state universities. The combined operational and supplemental funding increases total \$75 million or 5 percent.

These increases build upon those granted as part of last year's budget process. At that time, a 5.4 percent funding increase for fiscal year 2000 (P.A. 93 of 1999) and \$28.5 million of supplemental funding (equivalent to a 2 percent increase) was also provided for infrastructure, technology, equipment and maintenance needs at our state universities (P.A. 69 of 1999). This 7.4 percent funding increase provided for the current school year,

coupled with the recommended additional 5 percent increase for next year, brings the two-year increase to 12.4 percent – more than double estimated inflation of 6.1 percent.

Tier Funding

The fiscal year 2000 appropriation act (P.A. 93 of 1999) placed the 15 state universities into five separate funding tiers and established minimum per pupil funding floors for each tier. The fiscal year 2001 budget allocates a total of \$7.4 million or \$53 per student to each university whose current per pupil funding is below the funding floor for its tier. The recommended funding brings three universities (University of Michigan-Flint, Eastern Michigan University, and University of Michigan-Dearborn) up to their respective funding floors.

Funding Floor of \$4,500	FY2000	FY2001
Northern Michigan University	\$6,975	\$7,149
Lake Superior State University	\$4,744	\$4,863
University of Michigan - Flint	\$4,360	\$4,523
Saginaw Valley State University	\$4,237	\$4,397
Grand Valley State University	\$3,935	\$4,088
Funding Floor of \$4,600		
Ferris State University	\$6,123	\$6,277
Eastern Michigan University	\$4,541	\$4,708
Central Michigan University	\$4,278	\$4,439
Funding Floor of \$4,700		
University of Michigan - Dearborn	\$4,563	\$4,732
Oakland University	\$4,317	\$4,479
Funding Floor of \$5,700		
Michigan Technological University	\$8,547	\$8,761
Western Michigan University	\$5,386	\$5,575
Funding Floor of \$9,000		
Wayne State University	\$10,246	\$10,503
University of Michigan - Ann Arbor	\$9,240	\$9,471
Michigan State University	\$7,660	\$7,905

*Three
more
colleges
reach
funding
floor*

Making College More Affordable

Maintaining Tuition Restraint In response to tuition restraint language in the fiscal year 2000 appropriation act, all state universities held their tuition and fee increase to 3 percent or less.

To encourage continued tuition restraint, comparable language is recommended for fiscal year 2001. Similar to fiscal year 2000, any state university increasing tuition and fees more than 3 percent will be subject to a base reduction of 1.5 percent when calculating fiscal year 2002 funding.

Michigan Merit Award The \$2,500 Michigan Merit Award is available beginning with this year's high school graduating class. Eligibility is based on student achievement on the MEAP tests or through high achievement on college entrance exams or a nationally recognized job skills assessment. The award may be used for education and training at a variety of educational settings including a state university, a community college, an independent college, or for vocational/technical training at an approved postsecondary education institution. There is great flexibility in the way the award money may be applied toward expenses. This innovative program is funded from the Michigan Merit Award Trust Fund. The Governor's fiscal year 2001 budget includes an additional \$13.7 million for total funding of \$100 million, to provide for an estimated 40,000 Michigan Merit Awards, a 16 percent increase over the 34,500 funded in fiscal year 2000.

Lt. Governor's Commission on Financing Postsecondary Education The fiscal year 2001 budget implements proposals made by Lt. Governor Dick Posthumus'

Michigan Commission on Financing Postsecondary Education. The commission recommends the creation of a college savings plan to encourage families to save for their children's education. The Lt. Governor's Commission also recommends creation of a program to provide tuition for recent high school graduates enrolling at a community college or pursuing an associate degree at a state university, whose family income is \$40,000 or less.

Needs Based Student Financial Aid Increased The recommended budget provides a 3 percent increase (\$3.2 million) for current need based student financial aid programs including the Competitive Scholarship, Tuition Grant, and Michigan Work Study Program. In addition, the Tuition Grant program is increased by \$1.2 million as a result of a funding shift from the general degree reimbursement program.

State and Regional Higher Education Programs Supported

The Governor's budget provides a 3 percent increase or \$1.9 million for the Agricultural Experiment Station, Cooperative Extension Service, Japan Center for Michigan Universities, Michigan Molecular Institute, and the Martin Luther King, Jr./Cesar Chavez/Rosa Parks programs.

Capital Outlay

State funding for modern facilities has played a major role in enabling our state universities to maintain competitive instructional programs. During the 1990s the state has supported over \$1.6 billion in capital outlay projects, funding a total of 57 projects at the 15 university campuses. This investment in facilities allows our higher education institutions to maintain competitive instructional programs and prepare Michigan citizens to compete in the 21st century job market. The recently enacted fiscal year 2000 and 2001 capital outlay budget (P.A. 265 of 1999) contains planning authorization for five additional university building projects at the University of Michigan - Dearborn, Saginaw Valley State University, Grand Valley State University, Western Michigan University, and Oakland University, as well as the Southwest Regional Education Center to be jointly operated by Western Michigan University and Lake Michigan College. It also contains \$118.4 million in fiscal year 2001 support for State Building Authority debt service obligations on state university building projects completed during the 1990's.

Independent Colleges Receive Comparable Support

The grants for general degree graduates, allied health graduates, and Michigan resident dental graduates provide support for Michigan's independent colleges and universities. A 3 percent increase is recommended for these programs at a cost of \$346,000.

In the current year appropriations act, \$1.6 million was added to the general degree reimbursement funding provided to independent colleges and universities. Part of this added funding was to be reallocated to the Tuition Grant program in fiscal year 2001, based on tuition restraint by independent

colleges and universities (keeping tuition increases to 3 percent or less). Based on reported tuition and fee increases at independent colleges and universities, the fiscal year 2001 budget reallocates \$1.2 million of the \$1.6 million to the Tuition Grant program funding. The remaining funds are retained under the general degree reimbursement program. In addition \$1.5 million in supplemental funding (equal to a 2 percent increase) is recommended for independent colleges for general degree reimbursements.

PROGRAM OUTCOMES
<p>Maintain North Central Accreditation</p> <p>Complete fiscal year with a positive fund balance</p> <p>Maintain or improve baccalaureate graduation rates</p> <p>Maintain or improve the percentage of graduates who find jobs</p> <p>Maintain or improve faculty contact hours with undergraduate students</p> <p>Detail for each institution available from State Budget Office</p>

(Amounts In Thousands)

	<u>FY90</u>			<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
GF/GP	\$212,490.5			\$282,000.0	\$297,228.0	\$306,198.5
All Funds	\$212,490.5			\$282,000.0	\$297,228.0	\$316,198.5
		% Change - GF/GP			5.4%	3.0%
		% Change - All Funds			5.4%	6.4%

COMMUNITY COLLEGES

Community Colleges

*95% of
budget
goes
directly to
colleges*

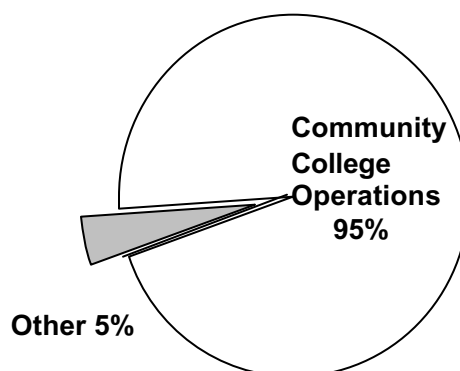
Michigan's comprehensive community college system provides its citizens with access to affordable postsecondary education. Community colleges play a vital role in assisting our industries and businesses by supplying and maintaining a well-trained and technologically-oriented workforce necessary to maintain competitiveness in the global marketplace. Over one-half million people each year are enrolled at Michigan's community colleges in various occupational programs, preparatory courses for successful transfer to four-year colleges and universities, and continued lifelong learning experiences. The Governor's fiscal year 2001 budget recommends \$316.2 million total, of which \$306.2 million is general fund.

Operations Support

The fiscal year 2001 general fund appropriation for operation of Michigan's 28 community colleges is increased by

Fiscal Year 2001 Spending

COMMUNITY COLLEGE OPERATIONS (\$ In Thousands)	FY2001
West Shore Community College	\$ 2,291.1
Glen Oaks Community College	2,336.2
Kirtland Community College	2,965.5
North Central Michigan College	3,016.1
Montcalm Community College	3,112.0
Monroe County Community College	4,146.2
Gogebic Community College	4,156.2
Mid Michigan Community College	4,336.8
Bay de Noc Community College	4,857.9
Alpena Community College	5,073.6
Lake Michigan College	5,133.6
Southwestern Michigan College	6,421.9
St. Clair County Community College	6,993.8
Muskegon Community College	8,911.7
Northwestern Michigan College	9,007.9
Kellogg Community College	9,541.4
Kalamazoo Valley Community College	12,055.8
Jackson Community College	12,181.7
Washtenaw Community College	12,176.0
Schoolcraft College	12,194.2
Delta College	14,230.0
Mott Community College	15,650.5
Wayne County Community College	16,476.5
Grand Rapids Community College	18,092.4
Oakland Community College	21,058.3
Henry Ford Community College	21,625.9
Lansing Community College	30,806.7
Macomb Community College	33,223.3
Total	\$302,073.2



\$8.8 million to \$302.1 million, a 3 percent increase over fiscal year 2000 – equal to inflation. Consistent with the method endorsed by the community college presidents and trustees, half of the fiscal year 2001 increase is distributed across-the-board, with the remaining distributed utilizing the Gast-Mathieu formula. The Executive Budget recommendation also includes a \$5.9 million fiscal year 2000 supplemental for technology and infrastructure needs. The \$5.9 million represents a 2 percent increase and will be distributed as an across-the-board adjustment. The supplemental appropriations boosts the overall funding increase for community colleges up to 5 percent.

In fiscal year 2000, community colleges received a 5.5 percent funding increase. In addition, at the end of fiscal year 1999, \$5.6 million of supplemental funding was also appropriated for infrastructure, technology, equipment and maintenance needs (PA 69 of 1999), for an overall increase of 7.5 percent. This two year increase of 12.5 percent is more than double the estimated inflation of 6.1 percent.

Tuition Restraint

As an incentive to encourage community colleges to control tuition costs, state funding is reduced if a community college increases its tuition by 3 percent or more. Language in the current community colleges budget requires a reduction of 1.5 percent in base funding for any community college which increased tuition by more than 3 percent for the 1999-2000 school year. In accord with that language, the fiscal year 2001 budget reduces funding for Gogebic Community College, Monroe County Community College, and Wayne County Community College by a total of \$369,300. This amount is redistributed through the community college formula to those community colleges that held their tuition increase to 3 percent or less. To ensure community colleges remain affordable, this tuition restraint provision is maintained in fiscal year 2001.

Making College More Affordable for Low and Middle Income Families

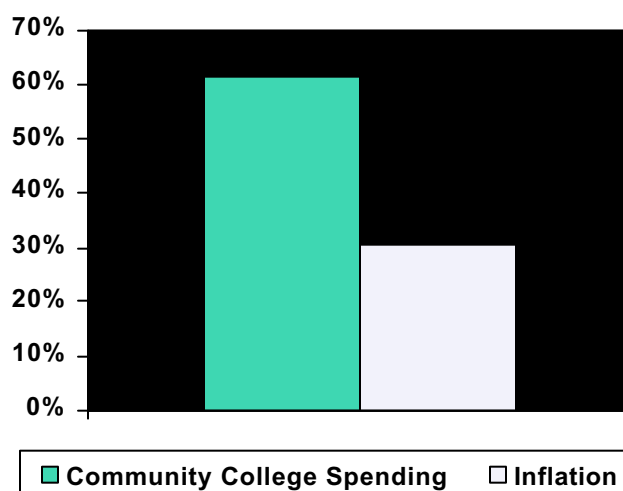
Lt. Governor's Commission on Financing Postsecondary Education The fiscal year 2001 budget implements proposals made by Lt. Governor Dick Posthumus' Michigan Commission on Financing Postsecondary Education. The Lt. Governor's Commission recommends creation of a program to provide tuition for recent high school graduates enrolling at a community college or pursuing an associate degree at a state university, whose family income is \$40,000 or less. The community college budget recommends funding from the Michigan Tobacco Settlement Trust Fund to support the program.

Michigan Merit Award

The \$2,500 Michigan Merit Award is available beginning with this year's high school graduating class. Eligibility is based on student achievement on the MEAP tests or through high achievement on college entrance exams or a nationally recognized job skills assessment. The

*Funding
for
community
colleges
up 61%
over the
last ten
years*

**Funding for Community Colleges Up 61 Percent
Change from FY1991 to FY2001**



award may be used for education and training at a variety of educational settings including a community college, a state university, an independent college, or for vocational/technical training at an approved postsecondary education institution. This innovative program is funded from the Michigan Merit Award Trust Fund.

Other State Support

Michigan invested nearly \$60 million in fiscal year 1999 for capital costs at fifteen community colleges to establish sixteen Michigan Technical Education Center (M-TEC) projects. These centers will deliver training programs in high wage, high skill, and high demand occupations to increase the number of skilled workers in Michigan's workforce.

Capital Outlay

During the 1990's, the state authorized \$471 million for 48 different community college building and renovation projects. The recently enacted fiscal year 2000 and 2001 capital outlay budget (P.A. 265 of 1999) contains planning authorization for eight additional community college projects at Gogebic, Glen Oaks, Schoolcraft, Grand Rapids, Henry Ford, Macomb, Lake Michigan (a joint project with Western Michigan University) and Washtenaw community colleges. It also contains \$15.9 million in fiscal year 2001 general fund support for State Building Authority debt service obligations for community college building projects which were constructed during the last decade.

Other Recommendations

Funding for the At-Risk Student Success Program at each community college is increased 3 percent to \$3.7 million for fiscal year 2001. This program provides additional funds to colleges for approximately 35,000 students who are academically at-risk in order to overcome a wide range of obstacles and ensure college success.

In addition, \$433,131 is built into the fiscal year 2001 recommendation to reimburse community colleges for revenue lost as a result of the establishment of Renaissance Zones.

COMMUNITY COLLEGE PROGRAM OUTCOMES

Maintain North Central Accreditation

Complete fiscal year with a positive fund balance

Percentage of graduates who find jobs

**Maintain or improve percentage of students passing
licensing or certification exams**

**Maintain or improve percentage of students transferring to 4-
year institutions doing at least as well as students already
attending those institutions**

Detail for each institution available from State Budget Office

Department of Education

(Amounts In Thousands)

Funding History*

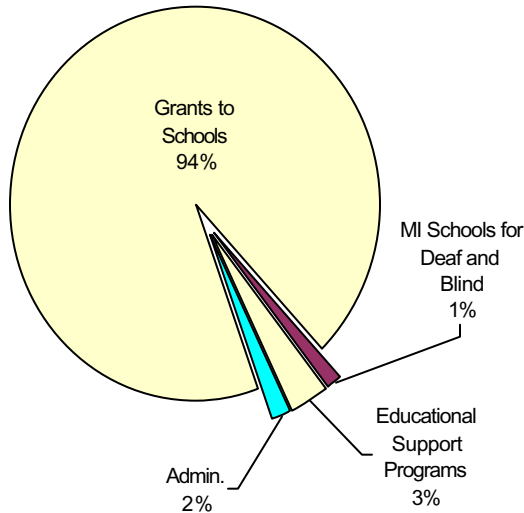
	FY90			FY99	FY00	FY01
GF/GP	\$35,917.5			\$43,297.7	\$34,720.9	\$32,698.7
All Funds	\$278,162.3			\$800,840.7	\$918,670.1	\$925,310.5
	% Change - GF/GP				-19.8%	-5.8%
	% Change - All Funds				14.7%	0.7%

KEY ISSUES		GF/GP	All Funds
Federal Program Adjustments		\$0.0	\$8,359.2
- National School Lunch	\$7,200.0		
- Refugee Children Impact Grant	\$950.0		
- Troops to Teachers	\$40.0		
- Migrant Technology	(\$576.3)		
- State Systemic Initiative	(\$50.0)		
- Other Federal Program Adjustments	\$795.5		
Reading Plan for Michigan -- School Components		\$0.0	\$350.0
School Improvement Plan Consolidation		\$300.0	\$300.0
Consolidation of School Lunch Programs in School Aid Act		(\$2,600.0)	(\$2,600.0)
Student Record Database -- Remove One-time Funding		(\$324.0)	(\$324.0)
Study of Teacher Preparation -- Remove One-time Funding		(\$237.5)	(\$237.5)
Technical Adjustments		\$283.6	(\$735.3)
Economic Adjustments		<u>\$555.7</u>	<u>\$1,528.0</u>
Subtotal		(\$2,022.2)	\$6,640.4
*Adjusted for program transfers			
FY 2001 Executive Recommendation		\$32,698.7	\$925,310.5

Department of Education

The Governor's fiscal year 2001 recommendation for the Department of Education focuses on improving the educational performance of

Department of Education Budget



kindergarten through 12th grade schools in Michigan. The department supports school improvement initiatives by investing in early intervention programs, promoting educational choices for parents, developing a framework for accountability, providing technical assistance to districts, and helping to create a clearinghouse for information on school performance. The department is also working to ensure greater flexibility in the administration of the state School Aid Act and federal categorical programs to support innovative school improvement programs. Total fiscal year 2001 recommended funding for the Department of Education is \$925.3 million total, of which \$32.7 million is general fund.

*Over 94%
of
Education's
budget
goes
directly to
local
schools*

Reaching Out to Improve Schools

Implementation of the department's field services delivery system has fundamentally changed the way the department provides educational services. Over \$863.8 million of the department's fiscal year 2001 budget is composed of state and federal education grants to local districts. Working directly with school districts, department staff help to assure that the resources available to school districts are focused on improved student learning. The department also works with districts on their school improvement process and identifies strategies to assist the district in meeting performance standards.

Helping Children Through Early Intervention

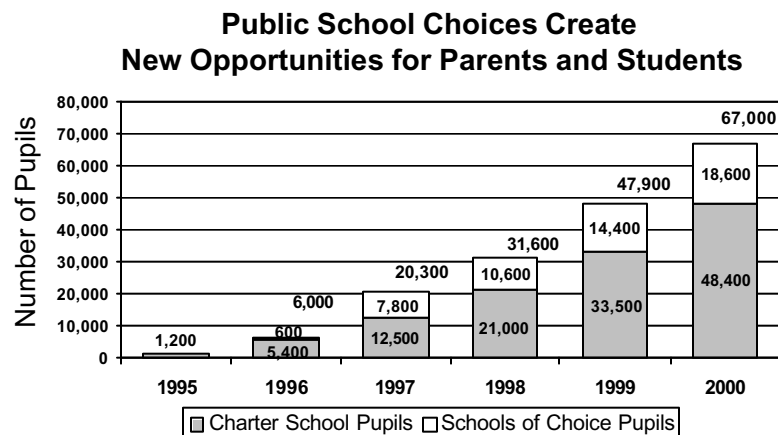
Reading Plan for Michigan The Governor's Reading Plan for Michigan continues its focus on early literacy and intervention with the aim of having all children read at grade level by the time they reach the 4th grade. To date, over 125,000 of the popular reading readiness packages (R.E.A.D.Y. kits) have been distributed statewide to parents of infants, toddlers, and preschool children. The Governor's fiscal year 2000 supplemental recommendation includes \$2.25 million for continued production and distribution of the R.E.A.D.Y. kits. In addition, the fiscal year 2001 recommendation includes \$350,000 for ongoing development and evaluation of the school components of the program. The Reading Plan for Michigan is further enhanced by over \$65 million added in the School Aid Act for additional early intervention efforts, including \$38 million for intensive summer school programs for children at risk of not scoring well on 4th grade MEAP reading tests. The School Aid Act also provides \$5 million for an innovative pilot program that focuses reading curriculum on children in grades K-3 who have learning disabilities. The department will continue to aggressively pursue federal funds available for early literacy programs.

Pre-School and Early-On Programs Preparing children so they are “ready to learn” as they enter kindergarten is the goal behind Michigan’s investment in early childhood programs. Over 24,000 children are served annually through Michigan’s school readiness, child care and development, and prevention programs — which support children 0-8 years-old who are at risk of school failure. The school readiness program is increased in the State Aid Act by \$27.5 million to fund more preschool slots and to increase the number of full day programs. Michigan’s innovative Early-On program annually targets support services to over 10,000 infants and toddlers who are in need of early intervention services due to disabilities and developmental delay. Pre-school special education services are also provided to over 19,000 children with disabilities. This emphasis on early intervention programming is key to ensuring that all children in Michigan have the educational support necessary to succeed in the 21st century.

*Over
65,000
students
are
taking
advantage
of new
education
choices*

Supporting Choice in Education

Educational choice is also emphasized through the creation of a new Office of Education Options, Charters and Choice. Michigan’s charter school initiatives and schools of choice programs have expanded the opportunities for students and parents to choose the public school that best fits their needs. The department will continue to support the expansion of parental choice by working with charter school authorizing institutions, providing technical assistance to new and existing public school academies, and supporting schools of choice programs within traditional school districts.



Emphasizing Excellence in the Classroom

The Department of Education’s new Office of School Excellence includes key early childhood, curriculum, school health, and school improvement programs. In support of these programs, the Governor’s fiscal year 2001 budget recommendation includes \$300,000 for technology to assist schools in consolidating multiple school improvement plans required by various state and federal programs. A cohesive school improvement framework is an important tool in targeting programs to at-risk children, enhancing student performance, empowering teachers, fostering parental involvement, and creating the pathway for greater flexibility in the delivery of federal programs.

Preparing Teachers for Tomorrow

The department is responsible for ensuring that Michigan has a qualified workforce of teachers and administrators prepared to meet the educational needs of our students. Michigan public schools employ approximately 96,000 teachers and 11,000 school administrators. The department works with teacher preparation institutions to ensure that the 6,500 new teachers annually recommended for certification in Michigan meet the highest standards. Over 130,000 competency tests are administered per year, with the passing rate anticipated to reach an average of 86 percent in 2001.

Providing Support Services That Help Children Learn

One of the ways in which the department helps to create a more conducive learning environment is by making sure that all children have proper food and nutrition. More than 720,000 lunches are served daily in 3,965 public schools, non-public schools, and residential institutions in Michigan. In 1999, free and reduced price meals accounted for 51 percent of all meals served, with approximately 133,000 low income children receiving breakfast on a daily basis. The department is working with districts to increase participation in the school breakfast and after-school snack programs, with the goal of achieving 88 percent and 18 percent participation rates, respectively, in 2001. The recommended budget transfers \$2.6 million to the state School Aid Act to consolidate mandated school lunch programs.

"Our goal must be a completely literate society, where every person can read, comprehend and be successful in the workplace."

Governor John Engler
Detroit Free Press, December 20, 1999

Fiscal Year 2000 Supplemental

The Governor's recommendation in the state School Aid Act includes fiscal year 2000 support of \$10 million to enhance the quality and availability of educational statistics. This project will help to accelerate and expand the work the department is currently doing in relation to the Michigan

Educational Information System. In addition, the supplemental recommendation includes \$2.25 million for the continued production and distribution of the R.E.A.D.Y. kits, \$40,000 in federal Troops to Teachers funds so that military personnel can transition their skills into the classroom, and \$220,000 to encourage districts to participate in the National Assessment of Educational Programs (NAEP).

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Increase the number of public school buildings participating in the following programs:				
School breakfast	71%	83%	85%	88%
After-school snacks	0%	2%	17%	18%
Through early intervention, decrease the number of school-age students identified as learning disabled due to a reading deficiency	86,700	91,100	86,500	77,900
Increase number of new teachers recommended for certification by Michigan teacher preparation institutions	5,788	6,200	6,500	6,500
Increase passing rate for subject area teacher certification tests	85%	84%	85%	86%
Reduce paperwork by increasing percent of school districts using a consolidated application for categorical programs	38%	43%	53%	63%

Department of Career Development

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$19,439.7			\$46,484.5	\$22,606.9	\$23,958.6
All Funds	\$412,428.1			\$544,934.3	\$584,112.3	\$596,954.4
	% Change - GF/GP				-51.4%	6.0%
	% Change - All Funds				7.2%	2.2%

KEY ISSUES

	GF/GP	All Funds
Workforce Investment Act Administrative Costs	\$300.0	\$498.8
Michigan Community Service Commission Volunteerism Increase	\$434.0	\$434.0
Use Available Federal Funds to Finance Displaced Homemakers Program	(\$517.8)	\$0.0
Council of Michigan Foundations Funding Adjustment	\$0.0	\$6,000.0
U.S. Department of Education Office of Special Education Rehabilitation Services	\$0.0	\$3,681.5
Adult Basic Education Federal Grant Award	\$0.0	\$980.6
Local Revenue Contracts with Employment Services Agency	\$0.0	\$4,000.0
Centers for Independent Living	\$500.0	\$500.0
Other Adjustments	\$0.0	\$690.9
Economic Adjustments	\$635.5	\$2,790.3
Subtotal	\$1,351.7	\$19,576.1
FY 2001 Executive Recommendation	\$23,958.6	\$596,954.4

Department of Career Development

The Department of Career Development is the state's workforce development agency. It encompasses job training, recruitment, and career preparation programs for the State of Michigan. The Governor's fiscal year 2001 budget maintains strong support for workforce development programs with funding of \$596.9 million gross, \$23.9 million general fund. The department is responsible for developing a ready supply of technically educated workers. The department's goal is to develop a system that creates a workforce with the skills required to maintain and enhance the Michigan economy.

The fiscal year 2001 recommendation implements Executive Order 1999-12, which transfers adult education functions from the Department of Education to the Department of Career Development. This action consolidates Michigan's career preparation system and enhances Michigan's ability to compete in the global economy.

Adult Learning The Governor's 2001 recommendation increases funding for adult learning programs by 25 percent, from \$80.0 million to \$100.0 million. The programs will now be administered by the Department of Career Development while funding will continue to be appropriated in the School Aid budget. Funding will be distributed by local workforce development boards on a competitive basis to adult education service providers. Eligible education providers include local school districts as well as public school academies, community colleges, and community organizations. Policy changes will put a greater emphasis on accountability and link monetary grant awards to success and student achievement. Workforce development boards will be required to document the need for adult education and provide a strategic plan for their local region.

Welfare Reform Michigan's nationally recognized welfare reform program continues to yield dramatic caseload reductions, a 72 percent decline since 1993. Current program support for Michigan's successful Work First and Welfare-to-Work programs is more than \$132.1 million, allowing Michigan to move people from welfare dependency to work. Michigan's welfare reform strategy has been successful, setting a benchmark for the nation. Since the beginning of the Work First program in October 1994, more than 230,000 participants have been placed in employment. As a result of this success, Michigan is redirecting some of these resources toward retention activities and intensive services for clients who have had difficulty securing employment.

Career Development System In fiscal year 2000, \$75.0 million in one-time Tobacco Settlement Trust Fund revenue was appropriated to support new career development initiatives. A competency-based curricula fund will be established to enhance current training provided through community colleges and other providers to ensure that students learn the skills that businesses need. Operation Fast Break, an accelerated course in reading, writing, computer skills

and personal discipline in the workplace, will be initiated during fiscal year 2000. In addition, career preparation activities being provided through local work force development boards will be enhanced. Activities will include internships, career awareness, externships for faculty, and Junior Achievement-type activities.

Rehabilitation Services Another program operated by the Department of Career Development is the Michigan

Rehabilitation Services program, which assists members of the disabled community with building the skills necessary to secure and maintain employment. Moving people off public assistance and into jobs has resulted in savings to the taxpayers of \$18.1 million between 1993 and 1998. Michigan Rehabilitation Services provides services to more than 40,000 individuals annually. In 1999, over 7,400 individuals were directly placed into jobs.

Fiscal Year 2001 Recommendations

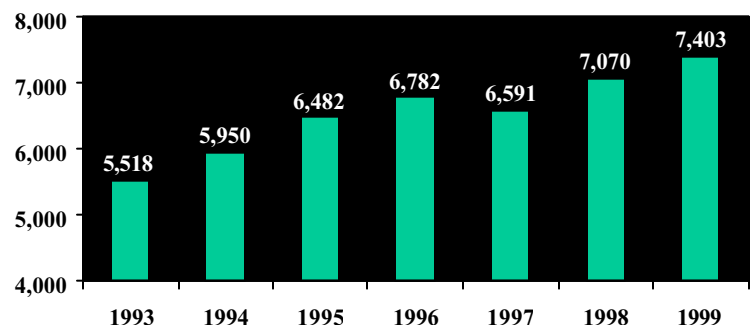
Work Force Investment Act A \$498,800 increase, \$300,000 general fund, is recommended to provide required state matching funds and to adjust federal Work Force Investment Act funds to the expected award level.

Michigan Community Service Commission A \$434,000 increase is recommended for the Michigan Community Service Commission to enhance volunteerism activities across Michigan. Additionally, \$6.0 million in Tobacco Settlement Trust Fund interest earnings currently appropriated by boilerplate language will be directly appropriated to the Council of Michigan Foundations. These funds are used to provide grants to support community efforts to address youth and senior health needs.

Other Non-General Fund Adjustments The U.S. Department of Education Office of Special Education Rehabilitation Services has increased grant awards by \$3.7 million, which will allow the department to increase services to Michigan residents. An increase in the Adult Basic Education grant award was also secured in fiscal year 2001. The Employment Services Agency will receive an additional \$4.0 million in local revenue for employment services activities to be provided in the metropolitan Detroit region.

Centers for Independent Living A \$500,000 general fund increase is recommended for Centers for Independent Living. This funding will support activities which assist persons with disabilities to live independently and to secure training to obtain and maintain employment.

Michigan Rehabilitation Services



*Over
45,000
persons
with
disabilities
placed in
jobs since
1993*

PROGRAM OUTCOMES	FY1998	FY1999	FY2000	FY2001
Develop a system that produces a workforce with the skills needed by Michigan businesses. Maintain or increase the current employment rate of Work First program recipients Employed Retained 90+ days	 45% 27%	 51% 22%	 51% 22%	 51% 25%
Close at least 14 percent of Work First Family Independence Program (FIP) cases due to job placement or increased earnings	N/A	14%	14%	14%
Increase the percentage of job seekers getting jobs within 90 days of using the Michigan Talent Bank	28%	35%	40%	42%
Increase by 10% or more the use of labor market information for career and workforce planning by Michigan citizens and businesses	N/A	314,000	350,000	400,000
Increase by 5% the number of persons with disabilities who are successfully rehabilitated and employed	7,070	7,403	7,775	8,160

(Amounts In Thousands)

	FY90			FY99	FY00	FY01
GF/GP	\$26,077.0			\$64,593.0	\$64,907.2	\$65,602.9
All Funds	\$120,006.5			\$132,056.5	\$168,917.1	\$169,082.8
		% Change - GF/GP			0.5%	1.1%
		% Change - All Funds			27.9%	0.1%

KEY ISSUES	GF/GP	All Funds
Economic Adjustments	\$695.7	\$695.7
Other Adjustments	<u>\$0.0</u>	<u>(\$530.0)</u>
Subtotal	\$695.7	\$165.7
FY 2001 Executive Recommendation	\$65,602.9	\$169,082.8

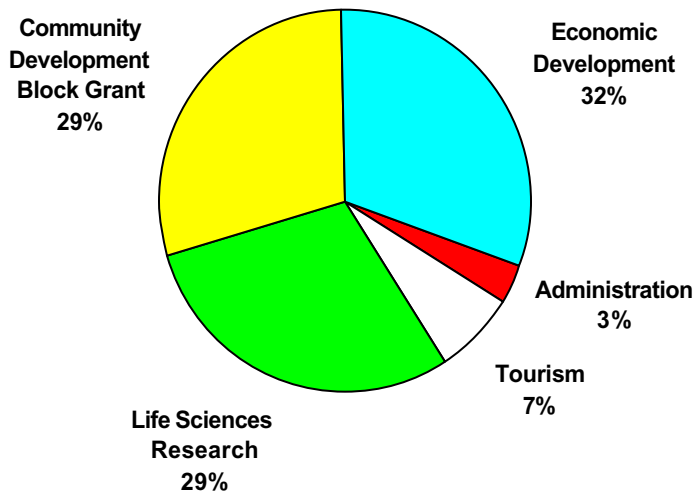
Michigan Strategic Fund

The fiscal year 2001 Executive Recommendation for the Michigan Strategic Fund includes \$169.1 million total, of which \$65.6 million is general fund. This budget encompasses funding for all economic development programs, global and Michigan business development activities, travel and tourism promotion, economic development grants, job creation services, and federal community development block grants.

Allocation of economic development funds

The Michigan Strategic Fund has entered into agreements with local governments to create the Michigan Economic Development Corporation (MEDC), a public body. This will ensure long-term continuity and an increased focus and flexibility for economic development issues. The Michigan Economic Development Corporation administers and coordinates economic development activities funded by the Michigan Strategic Fund. The MEDC partners with local units of government, universities, and businesses to retain and attract more high skill, high wage jobs to the state. Michigan's economic development activities have been very successful. Michigan has been ranked number one in the nation for attracting new business sites for the last two years.

FY2001 Michigan Strategic Fund Budget



More than 750,000 jobs have been created in Michigan since 1991, pushing our unemployment rate below the national average for five years in a row. Established three years ago, Michigan's Renaissance Zones have had a positive effect on Michigan's economy, establishing 128 projects in 11 economically depressed areas of the state, creating more than 3,600 jobs, and attracting \$300 million in private investments. Legislation in 1999 expanded the number of Renaissance Zones from 11 to 26 and gave local communities the authority to create additional subzones in the original 11

zones approved in 1997. This greater flexibility will enable local communities to attract businesses best suited to their local economic needs. Since 1995, Michigan Economic Growth Authority (MEGA) projects have created 82,389 jobs and generated capital investment of \$2.6 billion, resulting in a net positive impact to the state of \$4.6 billion.

The innovation and focus given to economic development activities in the 1990's has made Michigan the national standard for moving workers toward higher paying jobs. It encourages businesses to commit their resources to Michigan and creates a stable economy for the state. The greatest challenge in the next decade is to become a national and international model of economic excellence.

Fiscal Year 2001 Recommendations

Health and Aging Research and Development Initiative The fiscal year 2001 recommendation includes \$50 million in Tobacco Settlement Trust Fund revenues for the Health and Aging Research and Development initiative. This funding will support biotechnology research at Michigan's major research institutions. This initiative is intended to support research activities that will attract life science technology companies to Michigan.

Job Retention and New Job Recruitment The fiscal year 2001 recommendation divides the \$31 million Economic Development Job Training appropriation into two programs; a \$21 million Job Retention and Retraining Fund and a \$10 million New Job Recruitment and Training Fund. An analysis completed by the Michigan Economic Development Corporation concluded that, because of our extremely low unemployment rate, Michigan business expansion is frequently inhibited by their inability to find and hire skilled personnel. The New Job Recruitment and Training Fund will address this need through various worker recruitment services, such as ad campaigns and other promotional efforts. The Job Retention and Retraining Grant will operate in the same fashion as the current Economic Development Job Training program and focus on the retention of companies and workers in Michigan.

Community Development Block Grants The fiscal year 2001 recommendation continues \$50 million in federal revenue to support grants for economic development public infrastructure projects and land acquisition, clearance, and rehabilitation. Priority is given to projects involving manufacturing businesses and projects which result in the creation of new jobs. This funding is available to communities under 50,000 in population.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Rank in the top ten by <i>Site Selection</i> magazine, as the nation's leader in the number of new plants and expansions	#1	Top Ten	Top Ten	Top Ten
Encourage business growth by attracting at least 15,000 new jobs in high tech industries annually	15,074	23,868	15,000	15,000
Encourage new job creation through MEGA tax credits (estimated number of direct and indirect jobs created)	5,654	45,519	10,000	10,000
Encourage tourism by increasing awareness of Michigan through dissemination of travel information materials	596,000	1,175,000	1,253,000	1,339,000

Department of Consumer and Industry Services

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$197,819.2			\$71,500.0	\$77,857.5	\$79,344.6
All Funds	\$448,395.5			\$467,564.3	\$495,233.5	\$521,735.7
		% Change - GF/GP			8.9%	1.9%
		% Change - All Funds			5.9%	5.4%

KEY ISSUES

	GF/GP	All Funds
Additional Federal Housing Assistance	\$0.0	\$4,950.0
Unemployment Benefit Claims - Remote Filing	\$0.0	\$3,728.5
Information Technology Improvements	\$80.0	\$1,150.0
Commercial Services Licensing and Regulation Fees	\$262.0	\$662.0
State Survey and Remonumentation Grants	\$0.0	\$500.0
Construction Code Inspections	\$0.0	\$441.5
Credit Union Program Expansion	\$0.0	\$120.0
Consumer Protection in Financial Institutions	\$0.0	\$120.0
Economic Adjustments	\$2,937.6	\$15,617.1
Other Adjustments	(\$1,792.5)	(\$786.9)
Subtotal	\$1,487.1	\$26,502.2
FY 2001 Executive Recommendation	\$79,344.6	\$521,735.7

Department of Consumer and Industry Services

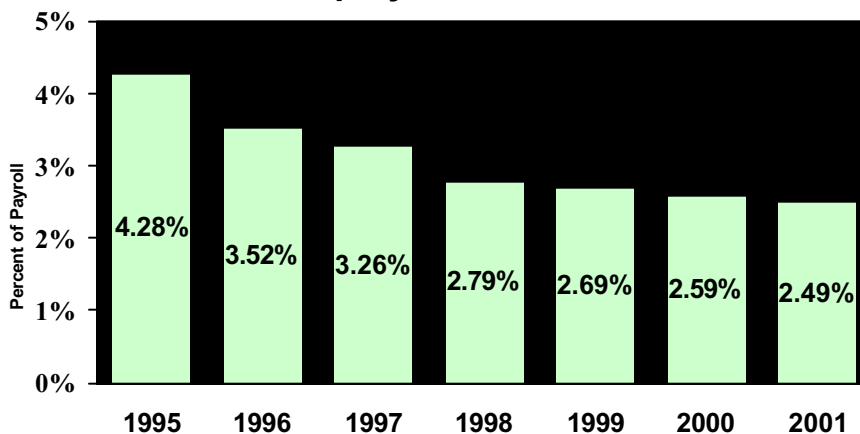
As Consumer and Industry Services (CIS) enters its fifth year of operation in fiscal year 2001, the department continues to build on its mission of supporting the health, safety, economic and cultural well-being of the public through services to and regulation of the activities of organizations and individuals.

The Governor's fiscal year 2001 budget recommends \$521.7 million total, of which \$79.3 million is general fund. This funding recommendation will enable Consumer and Industry Services to continue to improve customer service delivery throughout the department and provide more efficient services to its more than 1.5 million licensees.

Recent Achievements

Some of the department's recent achievements and customer service improvements include:

Average Michigan Unemployment Tax Rates



- **Cutting jobless taxes**
Unemployment tax rates have been reduced from 4.28 percent of payroll in 1995 to 2.69 percent of payroll in 1999. These tax cuts will provide Michigan employers with a \$3.5 billion savings by 2001. This will mark the sixth straight year that jobless taxes have been cut back.

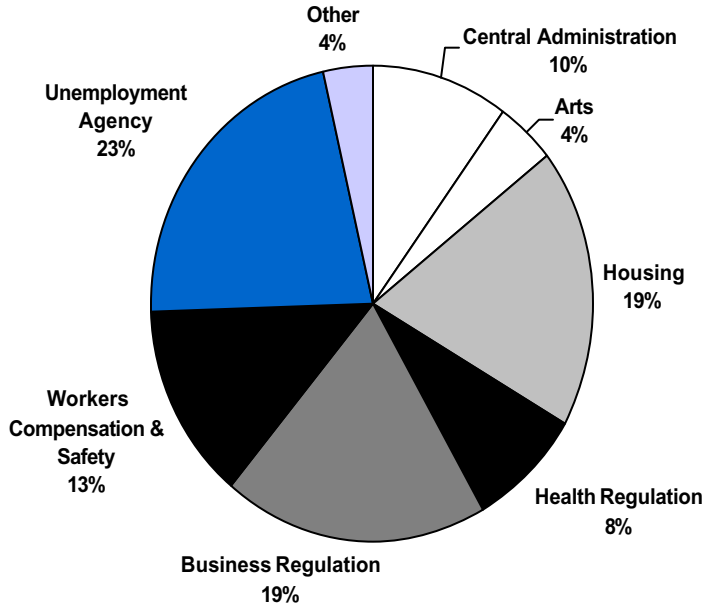
- **Building a record-breaking unemployment insurance trust fund**
Michigan's \$2.7 billion cash reserve is the fourth largest state insurance fund in the United States and the largest in Michigan's history.
 - **Reaching an historic worker safety settlement with Ford and the UAW**
As a culmination to the seven-month long MIOSHA investigation of the Ford Rouge Power House explosion, CIS announced a groundbreaking \$7 million agreement, including a record \$1.5 million fine and a nationwide abatement process that involves all Ford operations. Other aspects include a \$1 million donation to three regional burn centers, \$1 million for research, and a \$1 million scholarship fund honoring the six employees who died from the explosion.
- Unemployment tax cuts will save employers \$3.5 billion by 2001*

- ***Initiating web-based license look-up*** The CIS homepage (<http://www.cis.state.mi.us>) now allows web users to look up basic license information on the 660,000 plus health and commercial professionals that the department licenses. This feature verifies a licensee's name, license status, and length of time licensed.
- ***Eliminating the backlog of nursing home complaints*** CIS has eliminated its backlog of nursing home complaints and implemented a new complaint response system to ensure that all nursing home complaint investigations meet federally mandated time frames. CIS continues to conduct more than 99 percent of its annual unannounced nursing home inspections within the federally required 9-15 month time frame.
- ***Lowering bank fees*** The Financial Institutions Bureau has further reduced licensing fees including a 15 percent reduction of state-chartered bank supervisory fees, a 2.9 percent reduction of credit union operating fees, and a 25 percent across-the-board reduction in mortgage company licensing fees. There has also been a marked increase in new bank openings. Since January 1, 1999, there have been 12 new state chartered banks. Michigan's competitive tax structure, business friendly climate, and responsive regulators give Michigan a competitive advantage over other Midwest states.
- ***Leading the nation in arts and cultural funding*** Michigan continues to be a leader in providing state support to the arts. Currently Michigan ranks 6th in per capita spending on the arts and in 1999, was #1 in the country for legislative appropriations. The fiscal year 2001 budget continues this tradition and recommends \$21.5 million in funding for arts and cultural programs throughout the state.
- ***Recognizing Michigan's outstanding caregivers*** In its first two years, some 80 child care homes and centers, adult foster care homes, nursing homes, and homes for the aged have won Governor's Quality Care awards for providing outstanding care to some of Michigan's most vulnerable residents. In addition to recognizing these unsung heroes, the awards have helped raise the quality standard for care in Michigan and helped build consumer awareness of superior care.
- ***Initiating the nursing home quality incentive grant program*** The Governor's budget continues this \$10 million program to reward homes that consistently maintain health and safety standards while going the extra mile to provide quality care. CIS is committed to offering a fair and streamlined program that gives all nursing homes the opportunity to qualify for these grants.

Fiscal Year 2001 Recommendations

Unemployment Agency. The Governor recommends \$3.7 million for the Unemployment Agency to transition to remote initial claims. Remote initial claims will allow workers to file for unemployment benefits by phone or internet.

Fiscal Year 2001 Spending by Category



Credit Union Examiners and Mortgage Licensee Program

Michigan state-chartered credit unions continue to become larger, more complex, and technologically sophisticated. As more credit unions establish affiliate organizations, offer a broader range of products and services, and use electronic delivery systems, the overall risk profile of the industry increases. Over the past five years, the average asset size of Michigan's state-chartered credit unions has grown from \$26.4 million to \$38.4 million, a 45 percent increase. There has also been unprecedented growth in the mortgage licensee program, with the

The CIS budget supports a broad array of programs and activities

number of licensees increasing from 800 to 2,200 over the past five years. Therefore, the Governor is recommending a funding increase of \$240,000 in the credit union and financial institutions programs to continue to meet statutorily mandated examination requirements, to allow for more timely enforcement actions and to protect the public.

Code Enforcement Flexibility. The Bureau of Construction Codes permit issuance has averaged 54,490 permits over the past five years, over 21 percent more per year than issued in fiscal year 1991. Therefore, the Governor recommends \$441,500 to allow flexibility to hire additional inspectors when needed.

State Survey and Remonumentation Grants. The State Survey and Remonumentation Act provides for the remonumentation of the original U.S. public land survey corners that serve as the basis for all public and private property locations in Michigan. There are approximately 300,000 such corners located within the state. Remonumentation work is carried out by each of the 83 counties and the Act requires the completion of the survey and remonumentation program within a 20 year period. The Governor recommends an increase in this area to allow an additional 500 corners to be remonumented annually in order to assure completion within the specified 20 years.

Federal Housing Assistance. The Governor's budget recommends \$4,950,000 for 1,200 additional section 8 housing certificates for families, senior citizens, and

people with disabilities whose maximum household income does not exceed the area median income. This money will expand services to more people and provide rental assistance payments to landlords on behalf of qualified households.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
To enhance the economic security of claimants, increase the processing of hearings regarding wage replacement benefits to 70% within 21 days of receipt.	48%	48%	57%	62%
To support public safety, increase the percentage of construction code plan reviews completed within 15 business days of receipt.	55%	86%	87%	90%
To protect consumers from occupational and professional providers that operate below minimal standards, increase the percentage of complaints resolved within 12 months.	25%	40%	50%	60%
To help ensure the safety of children served by childcare organizations such as child placing agencies, child caring institutions, and court operated facilities, increase the percent of investigations completed within 24 hours.	N/A	90%	92%	93%
To increase the protection of children in family day care homes, increase the percentage of on-site inspections conducted within 90 days of the date of registration.	94%	85%	94%	96%
To support the safety of long-term care residents, increase the number of long-term care facilities that had no safety related non-compliance violations.	15	16	18	20

Department of Corrections

(Amounts In Thousands)

Funding History

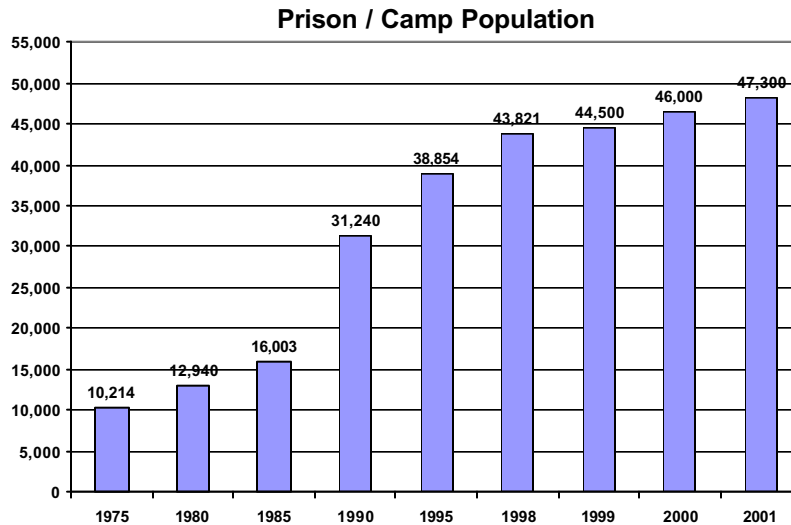
	FY90			FY99	FY00	FY01
GF/GP	\$732,918.4			\$1,368,557.1	\$1,486,579.1	\$1,619,082.7
All Funds	\$758,134.0			\$1,441,935.0	\$1,567,641.8	\$1,703,340.6
	% Change - GF/GP				8.6%	8.9%
	% Change - All Funds				8.7%	8.7%

KEY ISSUES

	GF/GP	All Funds
FY00 New Facility Operations - Full Year Costs	\$31,621.1	\$32,330.1
Ionia - Bellamy Creek Phased Costs	\$9,757.9	\$9,757.9
Prisoner Health Care Cost Adjustments	\$9,797.4	\$9,797.4
Employee Salary Step Increases	\$9,071.3	\$9,071.3
Various Operational Expenses	\$7,803.9	\$7,803.9
Substance Abuse Program Adjustments	\$3,505.1	\$1,670.1
Various Revenue Adjustments	\$1,042.8	\$253.8
Expand Prison Industries Operations	\$0.0	\$2,100.0
Youthful Offender Vocational Training Grant Award	\$0.0	\$1,250.0
Employee Training Adjustments	(\$3,623.9)	(\$3,623.9)
Economic Adjustments	<u>\$63,528.0</u>	<u>\$65,288.2</u>
Subtotal	\$132,503.6	\$135,698.8
FY 2001 Executive Recommendation	\$1,619,082.7	\$1,703,340.6

Department of Corrections

Criminal justice system reforms and just punishment for criminal behavior are showing positive results. Serious crime is down by 1 percent, declining for the seventh consecutive year. Growth in Michigan's prison population has slowed, due in part to lower than projected intake. In contrast to the 1980's with population growth of 125 percent, population growth in the 1990's was less than 50 percent.



More than 300 anti-crime bills, signed into law since 1991, make it easier for police and prosecutors to bring felons to justice. Certain youthful offenders may be tried as adults and incarcerated in the state's correctional system rather than within the separate juvenile justice system. Enactment of sentencing guidelines and "truth-in-sentencing" legislation increased the need for

*Prison
populations
level off
after a
steep
climb*

prison space. Additionally, a restructured parole board in 1992 placed parole decisions with experts in criminal justice-related areas, who are appointed by the Department of Corrections' director.

Offsetting these demands for additional prison beds are factors contributing to the slower than expected growth rate. Increased use of Technical Rule Violation (TRV) centers serve as an alternative to prison for parolees and prisoners who violate the conditions of their community placement. Following placement and successful completion in one of the state's three TRVs, the offender is returned to community placement. Since 1991, the number of probation and parole agents has increased 65 percent, significantly reducing caseloads, allowing for closer monitoring, and helping to assure judges that offenders are held accountable for their actions.

The Department of Corrections has steadily improved the way it carries out its responsibilities for the care and custody of convicted felons and for the oversight and supervision of felons following their release to community programs. The Governor's fiscal year 2001 budget recommendation for the Department of Corrections totals \$1.7 billion. Nearly one-third of the recommended \$135.7 million increase for fiscal year 2001 reflects the cost to operate new prison beds.

Michigan's Prison Capacity

As part of the Governor's commitment to public safety, additional prison beds were necessary during the 1990's. Under the Governor's leadership, the Legislature approved \$332 million in capital outlay spending for the construction of 10,198 additional prison beds since 1994. The timing of construction and facility openings has not always kept pace with prisoner intake. During fiscal

year 1998, recognizing new beds would not be immediately available, the department created temporary space within existing prisons by housing prisoners in day rooms. In July 1998, Michigan began contracting with the state of Virginia for 1,550 leased beds until construction of Michigan prison beds was complete. As construction of

the St. Louis Correctional Facility progressed, the department determined that an additional 622 permanent beds could be developed by lowering the security classification from Level V to Level IV. Design modifications allowed for double-bunking cells, bringing total capacity to 1,294 beds when the facility opened in November 1999.

During fiscal year 2001, the total number of prisons operated by the Department of Corrections will increase from 43 to 46. The new Pine River Correctional Facility in St. Louis and conversion of Camp Ojibway in Marenisco to a secure facility occur in fiscal year 2000. A second corrections camp will be converted to the Pugsley Correctional Facility in Kingsley, with opening scheduled for fiscal year 2001. The department will continue operation of 12 camps.

Due to final construction and opening of prison beds in fiscal year 2000, the department is able to discontinue the use of day room facilities and leased bed arrangements with the state of Virginia. All prisoners will return to Michigan correctional facilities by spring 2000, saving \$6.6 million annually due to the lower costs of incarceration in Michigan prisons and bringing prisoners closer to their families.

Operational Costs for Prison Expansion and Renovation

Full year operating costs of \$27.1 million for 3,822 prison beds opened during fiscal year 2000 are included in the fiscal year 2001 Executive budget.

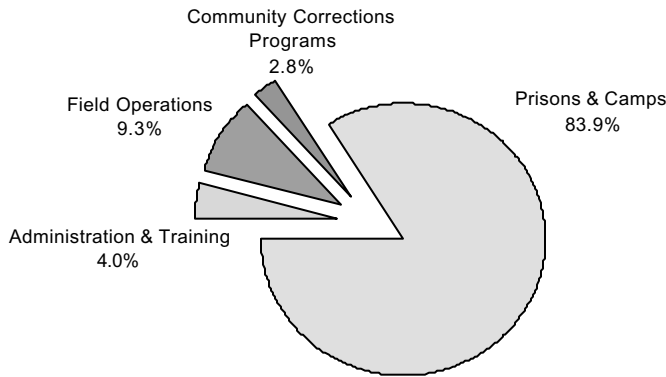
Renovations at the former State Prison of Southern Michigan in Jackson are coming to an end. Under the *Hadix v Johnson* consent decree, a continuous process of closing and reopening beds has occurred over the past five years to break-up this facility into several smaller and safer independent prisons. Reopening former 6 Block in spring 2000 marks the completion of this major physical plant

Department of Corrections Fiscal Year 2000 and 2001 Bed Expansions

Correctional Facility	Location	Projected Opening	Beds
Baraga Correctional Facility	Baraga	April 2000	240
Cooper Street Correctional Facility	Jackson	January 2000	480
Pine River Correctional Facility	St. Louis	January 2000	960
Florence Crane Correctional Facility	Coldwater	February 2000	240
Jackson Maximum Correctional Facility	Jackson	March 2000	488
Southern Michigan Correctional Facility	Jackson	April 2000	265
Ojibway Correctional Facility	Marenisco	April 2000	480
Pugsley Correctional Facility	Kingsley	October 2000	800
Bellamy Creek Correctional Facility	Ionia	July 2001	1,500

renovation. The fiscal year 2001 budget recommendation includes \$4.5 million for full year operating costs of 753 renovated beds at Jackson Maximum Correctional and Southern Michigan Correctional facilities.

Fiscal Year 2001 Spending



The Michigan Youth Correctional Facility in Baldwin opened July 1999 with a 480-bed capacity. The privately-constructed and operated facility houses youthful offenders up to the age of 19, who are sentenced as adults for serious crimes. A fiscal year 2001 recommended increase of \$704,000, for total funding of \$16.9 million, is available from federal Violent Offender Incarceration and Truth in Sentencing revenue to pay operational and facility lease contract costs.

The Governor's fiscal year 2001 budget also contains \$9.8 million in startup funding for a level IV security prison in Ionia. The new 1500 bed Bellamy Creek Correctional Facility is scheduled to open July 2001 and, in combination with fiscal year 2000 bed expansions, will provide housing for a projected prisoner population of 47,300 during fiscal year 2001.

*84% of
DOC's
budget
funds
prisons
and camps
while 12%
supports
community
services*

The Department of Corrections will defer the opening of 720 beds planned for Macomb Correctional, Saginaw Correctional, and Thumb Correctional facilities for at least one year. The permanent increase of 622 beds added at the St. Louis Correctional Facility through double-bunking and the lower than expected prisoner population growth postpones the need for further bed expansion at these existing facilities.

Substance Abuse Services

All offenders entering Michigan's correctional system are assessed for substance abuse problems during the intake process. The fiscal year 2001 budget recommends an increase of \$1.7 million for substance abuse treatment and testing for prisoners, parolees, and probationers. Offenders with a history of substance abuse or with positive drug tests participate in an alcohol and drug education program. Offenders testing positive for drugs or alcohol while in the correctional system are targeted for more intensive treatment programs including interactive group processes, basic counseling, recovery dynamics, and relapse prevention strategies. In-prison treatment addresses critical issues associated with the prisoner's return to the community.

Community-based services are available to offenders living in the community. Assessment of the offender's motivation and commitment to behavioral change determines the appropriate treatment modality to be obtained from contractual service providers. Community-based prisoners requiring more intensive services participate in 30-90 day residential treatment programs.

The Governor's fiscal year 2001 budget continues funding of \$4.3 million for three pilot projects authorized in fiscal year 1999 and implemented during fiscal year 2000:

- In January 1999, the Residential Substance Abuse Treatment (RSAT) program began at the Cooper Street Correctional Facility in Jackson. In partnership with Western Michigan University, RSAT is designed for low-security prisoners with severe substance abuse dependency who are within 12-18 months of their earliest release date. Following a 6-month residential treatment component, comprehensive after-care services are incorporated into the offender's parole plan. The fiscal year 2001 budget recommendation provides \$1.8 million general fund, replacing discontinued federal support, to allow the department sufficient time to assess the impact of this pilot program.
- Two in-prison pilot drug treatment programs provide 24-hour residential services and "step-down" treatment. In October 1999, a program for female prisoners was implemented at Camp Branch located in Coldwater with 60 residential drug treatment beds and a 40-bed "step-down" unit. A similar pilot program for male prisoners started in January 2000 at the Macomb Correctional Facility located in New Haven, providing 136 residential treatment beds and a 48-bed "step-down" unit.
- A third pilot substance abuse treatment program is targeted for technical rule violators. Project STOP (Short Terms of Punishment), is a 10-month program conducted at six locations throughout the state involving nearly 400 parolees. Mandatory attendance with random and weekly drug testing is required for each offender; failure to successfully complete drug testing results in immediate incarceration.

Building Academic and Vocational Training Skills

The fiscal year 2001 budget provides over \$41 million for educational services for state prisoners. Incarcerated offenders are offered the opportunity to gain academic, social, and work skills to become productive citizens while in prison and when released to the community. Most prisoners enter the system without a high school degree and with unskilled job experience; the department promotes the principle that offenders should not leave their supervision without attaining at least a General Education Development (GED) certificate level of educational skills.

In 1999, approximately 22 percent of the total inmate population was enrolled in an education program. Adult basic education and GED courses are provided at all prisons; six of the 12 camps offer these courses. Special education programs are offered to prisoners with learning disabilities. In addition, educational programming is provided at community corrections centers and technical rule violator centers through local adult community education programs, with staff and funding provided by local boards of education.

The Department of Corrections also offers vocational training in auto body repair, auto mechanics, building trades, electronics, food management, graphics and printing, horticulture, machine tool operation, business technology, welding, and dental lab technology. The fiscal year 2001 budget includes \$1.3 million in federal support to help train youthful offenders. The recommended increase provides computer upgrades and equipment modernization for the department's vocational training program. Offenders who are within 5 years of their earliest release date develop technological skills that assist in job placement following incarceration.

Since 1998, the department has greatly expanded its partnership with Habitat for Humanity of Michigan. Prisoners at three correctional facilities construct wall panels for the Habitat house-building program, offering vocational instruction for prisoners and saving time at the construction site. Prisoners have built enough wall panels in 1999 to complete more than 50 houses. Other prisoners have built cabinets, knit afghans, and grown plants for Habitat homes.

"It is imperative that prisoners work -- they owe that much to society. . . . our Department of Corrections will be assisting Habitat for Humanity. . . . That's just one more way we can accomplish our goal of putting more prisoners to work."

—John Engler, State of the State message, 1998

Michigan State Industries - Teaching Marketable Skills through Employment

Michigan State Industries (MSI) provides meaningful employment and opportunities for offenders to learn marketable skills. Annually, more than 2,200 prisoners are employed at 15 prisons and one camp. Products and services are sold to governmental agencies and nonprofit organizations, including furniture, chairs, road signs and decals, shoes, corrugated cartons, officers' uniforms, tactical gear and athletic wear, license plates, hospital linen, drafting services, dairy and meat processing, laundering, and data

processing. MSI is self-supporting with product and service sales revenue offsetting operational costs, including average daily pay of \$7.05 per prisoner.

Governor Engler recently unveiled the Computers for Schools program to assist Michigan schools in "making our students the best and the brightest." Prisoners at the Ryan Correctional Facility in Detroit will refurbish donated computers to be distributed to various schools throughout the state for a nominal fee. The program allows prisoners to repay part of their debt to society while providing children with an important learning tool.

The fiscal year 2001 budget provides an increase of \$2.1 million, for total MSI funding of \$15.5 million, to expand MSI job opportunities in areas such as textiles, laundry, food processing and farming.

County Jail Reimbursement

The fiscal year 2001 budget maintains \$18 million for County Jail Reimbursement. The County Jail Reimbursement program reimburses counties

for housing felons who would otherwise be sentenced to prison. The department continues to assess the number of prison diversions that will qualify for county jail reimbursement. Court documents, utilizing statutory sentencing guidelines for crimes committed on or after January 1, 1999, are under review to determine an appropriate definition of prison diversion to be used in establishing the reimbursement formula.

Other Recommendations

The fiscal year 2001 recommendation includes \$6.3 million for state-issued uniforms to prisoners. State law currently requires prisoners classified as high-security (Level IV, V, VI) to wear prison uniforms. In order to improve prison security, the department adopted a policy in fiscal year 2000 extending uniform requirements to all security levels. State-issued and manufactured, prison uniforms will be standard attire in all Michigan correctional facilities by May 2000.

Fiscal Year 2000 Supplemental

A fiscal year 2000 supplemental is recommended for the Department of Corrections to complete the conversion of external radio communications to Michigan's Public Safety Communications System. The additional \$1.4 million will provide 800 MHz radios for prisoner transportation vehicles, emergency response teams, public work crews, and perimeter security vehicles to provide communications with Michigan State Police and correctional facility control centers.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
In order to ensure public safety, reduce prison escapes to zero	15	1	0	0
In order to reduce prisoner idleness, increase percentage of prisoners in out-of-cell activities	86%	87%	90%	90%
In order to maintain a safe and secure prison environment, reduce the number of assaults against guards and inmates	2.0%	1.9%	1.8%	1.7%

Department of State Police

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$185,571.2			\$260,023.0	\$268,719.9	\$296,363.4
All Funds	\$235,121.3			\$353,103.7	\$368,850.3	\$398,599.1
		% Change - GF/GP			3.3%	10.3%
		% Change - All Funds			4.5%	8.1%

KEY ISSUES

	GF/GP	All Funds
At-Post Trooper Adjustments	\$4,760.0	\$4,760.0
- 119th Replacement School Full Year Costs		
- 120th Recruit Expansion School		
Communications System Funding Replacement	\$2,000.0	\$2,000.0
Various Operational Adjustments	\$1,031.3	\$1,295.8
Fire Fighters Training Council Enhancement	\$500.0	\$500.0
Computer Crime Unit Enhancement	\$421.8	\$421.8
911 Coverage Fund	\$0.0	\$837.0
Motor Carrier Enforcement - Safety Inspections	\$0.0	\$1,242.6
Casino Gaming Oversight Adjustment	\$0.0	(\$2,217.5)
Economic Adjustments	<u>\$18,930.4</u>	<u>\$20,909.1</u>
Subtotal	\$27,643.5	\$29,748.8
FY 2001 Executive Recommendation	\$296,363.4	\$398,599.1

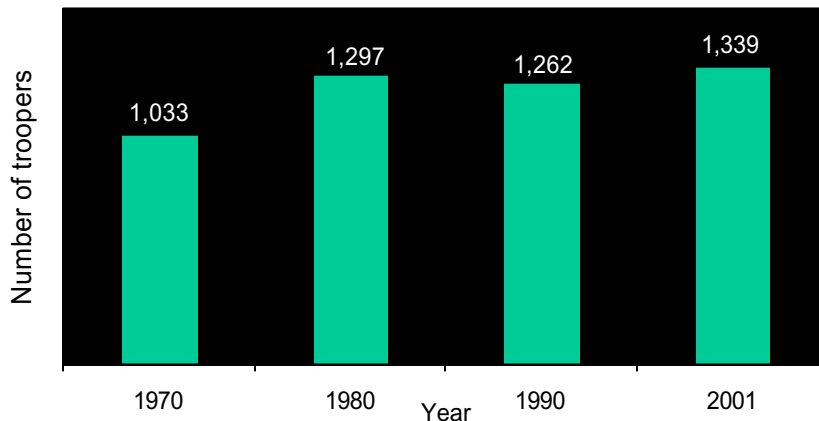
Department of State Police

The Department of State Police provides leadership, coordination and delivery of law enforcement services throughout the state.

The fiscal year 2001 budget for the Department of State Police totals \$398.6 million, of which \$296.4 million is general fund, representing a 8.1 percent increase in funding over fiscal year 2000. The recommended increase provides

the resources needed to maintain the department's statewide leadership role in the criminal justice community.

**Michigan State Police
Trooper Strength**



The Governor maintains his commitment to making Michigan safer by proposing to bring trooper strength to its highest level in 30 years. Each trooper recruit graduation is a reminder of the dedication and commitment to excellence, integrity and courtesy in performing the duties of a State

*The
highest
number of
troopers
in three
decades*

Trooper. Funding to begin the 120th trooper recruit school in fiscal year 2001 brings trooper strength to 1,339 — the highest trooper strength in three decades.

Since 1991, the Governor has provided funding for twelve recruit schools. Graduates from the 108th to the 120th Trooper Recruit schools will represent over 51 percent of all enlisted personnel in fiscal year 2001. The fiscal year 2001 budget provides \$4.8 million to support a 120th recruit school in fiscal year 2001, with a starting date of July 2001, and full year costs of the 119th recruit school scheduled to begin in fiscal year 2000.

Internet and Computer Crimes Demand High-Technology Police Work

As society becomes more dependent on technology, the opportunity for crime on the information super highway also increases. During the first nine months of 1999, Michigan law enforcement personnel investigated over 300 Internet and computer-related crimes. More than one-third of these cases involved crimes against children; others involved fraud, embezzlement, threats and hate crimes, money laundering, terrorism, bomb threats, and homicide.

Investigation of computer-related crimes requires technical expertise. The Michigan State Police continues to take a leadership role in developing and promoting a sound, long-range strategy for high-technology police work. Since the early 1990's the department has investigated computer-related crimes by assisting other law enforcement agencies through the Computer Crime Unit in southeast Michigan. The Governor's fiscal year 2001 budget recommends an

expansion of this unit, using trained personnel to assist in computer crime investigations, train other departments and agencies, and gather data to assess the extent of computer crime in Michigan.

Michigan's Public Safety Communication System Moves Forward

Michigan's Public Safety Communication System is designed to provide 97 percent coverage statewide with excellent audio quality and encrypted transmissions for security purposes. The installation of the system throughout Michigan is progressing in phases. Two of the four phases are complete, with nearly 5,600 federal, state and local participants utilizing the system for voice communications in the southeastern and southwestern portions of the state. The remainder of Michigan's lower peninsula is scheduled for completion in September 2000; the Upper Peninsula is slated for completion in summer 2002.

As phases three and four move forward, personnel resources are needed to ensure contract specifications are met and are in accord with Federal Aviation Administration requirements. The fiscal year 2001 budget restores \$2 million, redirected in fiscal year 2000 for radio maintenance facilities and communication lines in northern Michigan.

Training Michigan's Fire Fighters

For over 150 years, Michigan's Fire Service has served the citizens in this state. Changes in technology have challenged fire fighters' ability to provide citizens with the best services available. Training has played a vital role in keeping fire fighters current in technical methods and procedures. While today's fire fighters are better trained than at any time in the history of the Fire Service, the increasing cost of training places a burden on local government. Building on a fiscal year 1999 supplemental appropriation of \$250,000, the Governor's fiscal year 2001 budget includes an increase of \$500,000 for the Fire Fighters Training Council, a 53 percent increase from the current year. The recommended increase supports training, testing and certification costs for more than 30,000 fire fighters and nearly 1,100 fire departments. Minimum annual fire training allocations to each county will increase from \$3,000 to \$5,000 for fiscal year 2001.

Enhanced 911 Emergency Services for Mobile Communication

In June 1999, Governor Engler signed into law a package of bills improving Michigan's 911 emergency telephone system. Public Acts 78 through 81 of 1999 ensure wireless, or cellular, emergency phone calls can be tracked as quickly as land wire calls. Most 911 calls are routed to the most appropriate public safety answering point in order to dispatch police, fire, or health emergency personnel using the caller's telephone number and associated street address. This system is unavailable with wireless phones; it may be difficult and time-consuming to determine the caller's location.

Responding to a Federal Communications Commission (FCC) order requiring enhanced 911 emergency services for all phone customers, a 21-member Emergency Telephone Service Committee is established within the Department of State Police to develop statewide standards and recommend emergency telephone

*Safety
belts and
child seats
save lives*

services. Funding is provided by the State Commercial Mobile Radio Service Emergency Telephone Fund created within the Department of Treasury. A monthly 55-cent charge for each mobile radio connection is billed to customers, decreasing to 52 cents in 2001, and statutorily ending in January 2004. Nearly 95 percent is targeted to mobile radio service providers and counties for implementing the FCC order and for 911 staff training. The remaining 5 percent is available over the next two years to support other 911 emergency projects. The fiscal year 2001 budget includes an interdepartmental grant of \$837,000 from the Department of Treasury to the Department of State Police for priority 911 projects.

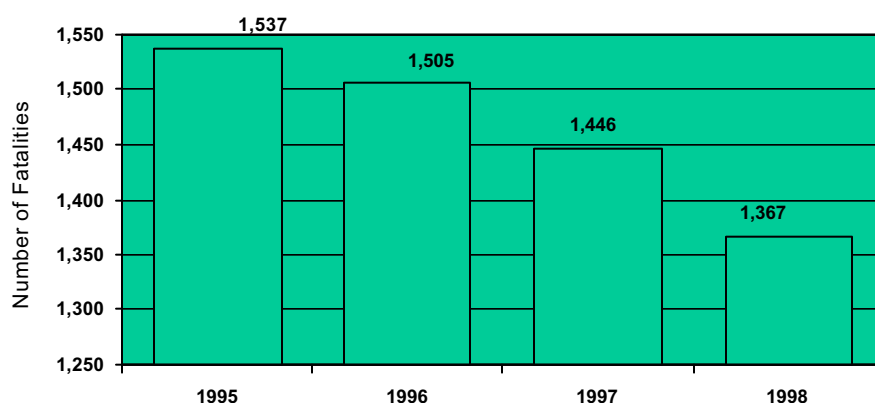
“Click it or Ticket” - Safety Belts Save Lives

The Office of Highway Safety Planning works with community groups to promote traffic safety through a variety of programs which include enforcing the state’s safety belt law, focusing on drunk drivers and conducting safety education programs for youngsters. Governor Engler recently signed Public Act

29 of 1999 which allows enforcement of Michigan’s safety belt law as a standard, or primary, enforcement action. Safety belt use is the best defense to prevent death or serious injury. In spring 2000, law enforcement officers can ticket motorists who are not buckled up. Development of a public information campaign “Click it or

Ticket” is underway to alert motorists to this change in the safety belt law. The department expects safety belt usage in Michigan to improve by 10 to 15 percent in fiscal year 2001.

Michigan Traffic Fatalities



Other Recommendations

The fiscal year 2001 budget contains \$1.2 million for the Motor Carrier division, bringing total funding to \$4.4 million to enhance safety inspection and enforcement of commercial motor vehicles. Federal Highway Administration funds and state Motor Carrier Fee revenues support program activities aimed at decreasing fatal crashes involving commercial motor vehicles.

The fiscal year 2001 budget includes \$5.3 million for casino gaming oversight to meet responsibilities assigned to the Michigan State Police by the Michigan Gaming Control and Revenue Act of 1997. A recommended funding decrease of \$2.2 million reflects reduced demand for background checks and investigative activities as three casinos in the City of Detroit begin operations.

The Emergency Management division provides overall leadership in managing and coordinating response to emergencies and disasters statewide. The fiscal year 2001 budget provides \$9.6 million, of which \$1.8 million is general fund, to maintain emergency management operations. A recommended general fund increase of \$530,400 provides additional state matching funds, reflecting a 51/49 federal-state cost sharing requirement effective in fiscal year 2000.

Fiscal Year 2000 Supplemental

Supplemental recommendations include \$3.1 million for law enforcement information technology projects to develop software for a records management system. The system will eliminate duplicate data entry, satisfy federal and state criminal history records and Uniform Crime Report requirements, and provide the capability of extending data use and collection to other state and local agencies.

Supplemental funding is also recommended to begin to address priority issues of 911 emergency coverage during fiscal year 2000 using available revenues from the State Commercial Mobile Radio Service Emergency Telephone Fund.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
To enhance public safety, increase the percentage of crimes solved.	59%	60%	61%	62%
To reduce traffic fatalities on Michigan roadways				
• increase the percent of motorists using safety belts	70%	70%	75%	80%
• increase the number of commercial motor vehicle inspections	11,181	13,501	20,250	23,300
To provide effective criminal investigations, increase the number of DNA cases completed by the department				
• East Lansing	278	204	350	375
• Northville	99	105	150	225
• Grand Rapids	N/A	N/A	225	300

Department of Military and Veterans Affairs

(Amounts In Thousands)

Funding History

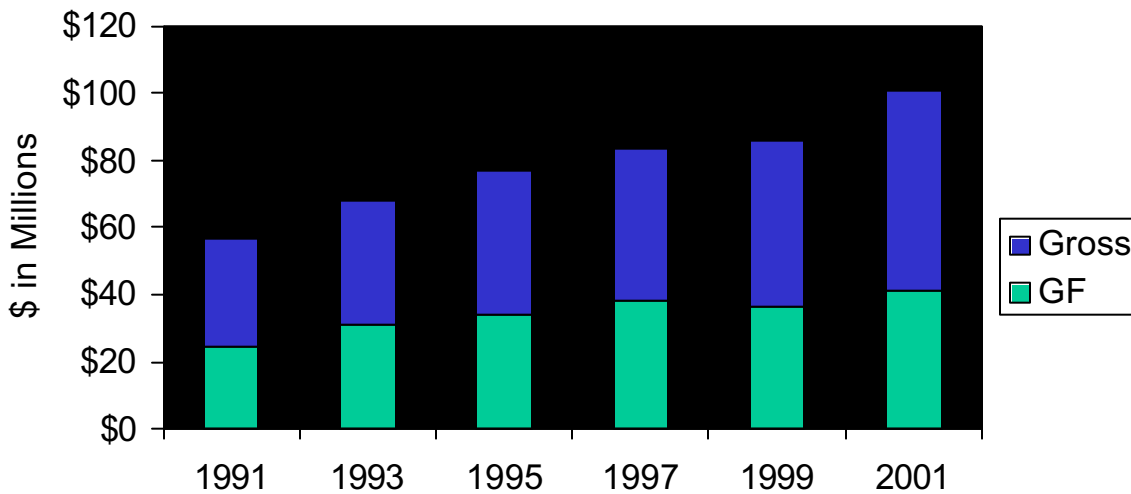
	FY90			FY99	FY00	FY01
GF/GP	\$23,289.3			\$39,581.3	\$39,700.5	\$41,206.9
All Funds	\$56,890.9			\$89,563.0	\$94,962.0	\$100,522.7
	% Change - GF/GP				0.3%	3.8%
	% Change - All Funds				6.0%	5.9%

KEY ISSUES	GF/GP	All Funds
ChalleNGe Program Federal Revenue Replacement	\$163.3	\$0.0
Camp Grayling and Alpena Seasonal Employee Costs	\$0.0	\$1,000.0
Grand Rapids Veterans' Home Revenue Adjustments	\$0.0	\$792.9
Reserve Component Automation System	\$0.0	\$335.0
Starbase Program Expansion	\$0.0	\$152.0
Other Adjustments	(\$100.1)	(\$100.1)
Economic Adjustments	<u>\$1,443.2</u>	<u>\$3,380.9</u>
Subtotal	\$1,506.4	\$5,560.7
FY 2001 Executive Recommendation	\$41,206.9	\$100,522.7

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs is responsible for training and administration of army and air national guard forces, providing combat-ready reserve military forces during times of national emergency, and performing a variety of civil relief operations in state emergencies. The department is also responsible for addressing the needs of Michigan veterans through more than 1,000 state-licensed nursing care beds at veterans' homes in Grand Rapids and Marquette. In addition, the department administers funding

Military & Veterans Affairs
Expenditures (FY 1991-FY2001)



for Veterans' Service Organizations, the Michigan Veterans' Trust Fund and the tuition assistance program for members of the National Guard and Veterans' survivors.

The Governor's

Spending has increased 64% since 1991

fiscal year 2001 recommendation for the Department of Military and Veterans Affairs reflects total funding of \$100.5 million, a 5.9 percent increase from fiscal year 2000. The department spends 63 percent of its budget for operation of veterans' homes, Veterans' Trust Fund operations and Veterans' Service Organization grants. The remaining 37 percent is spent on military preparedness and national defense operations.

ChalleNGe Program

The Governor's fiscal year 2001 budget recommends a general fund increase of \$163,300, for a total of \$930,200 in state revenue to match \$1.7 million in federal funds to continue the Michigan Youth ChalleNGe Academy. A 22-week, residential boot-camp type program which serves high school drop-outs, the ChalleNGe program is part of a nationwide effort to make the National Guard a more active presence in the community through assistance to at-risk youth.

ChalleNGe is a voluntary program located in Battle Creek. It targets Michigan high school drop-outs between the ages of 16 and 18 who are unemployed and free of felony convictions. The goal of the program is to improve life skills and employment potential through military-based training.

Expanding Hands-on Learning

The fiscal year 2001 recommendation includes an increase of \$152,000 in federal funding to expand the Starbase program. Currently operating in the Mt. Clemens area, the Starbase program provides students with hands-on experience in math and science applications. The recommended increase will support expansion of the Starbase program to a site in Detroit, providing Detroit public school students with new educational opportunities.

Connecting Michigan's Military Resources to the Nation

Recognizing the importance of providing the appropriate response in times of critical need, the Governor's fiscal year 2001 budget recommends an increase of \$335,000 in federal funding for the Reserve Component Automation System, a telecommunications system that links all armories throughout the state to other facilities across the nation and to all U.S. territories.

"Words are not enough to truly express the gratitude we owe the men and women who have fought for our freedom. Without their honor, courage and commitment, the very core values by which we live, many of the liberties we take for granted would not be possible."

— **Unknown**

Camp Grayling and Alpena Training Facilities

The fiscal year 2001 budget recommendation provides \$15.5 million for the maintenance and operation of major training and support facilities for the Michigan Army and Air National Guard units, including an increase of \$1 million for extended training dates at Camp Grayling and Alpena facilities. Camp Grayling was established in 1913 when Mr. Rasmus Hanson, a Grayling lumberman, donated 13,754 acres of land to the state for the training of the Michigan National Guard. State-owned and operated, Camp Grayling is a year-round training facility for the National Guard, as well as for U.S. Army Reserve troops, which includes specialized training for air assault, and engineer demolitions.

The Alpena Combat Readiness Training Center also provides an integrated, year-round, realistic training environment for air combat capability and readiness for the Air National Guard, Army National Guard, all active duty contingents, some civilian agencies and the military of allied foreign nations.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
In order to improve the skills of the Michigan National Guard, increase the percentage of Guard members using the educational assistance program	N/A	N/A	8%	10%
In order to improve the future lives of Michigan's "at-risk" youth <ul style="list-style-type: none"> • Increase the percentage of program applicants who successfully graduate from the Michigan Youth ChalleNGe Academy. • Increase the percentage of ChalleNGe graduates who return to high school, receive a high school diploma or obtain a GED 	N/A	N/A	50%	60%
	N/A	N/A	85%	95%
In order to protect veterans and family members residing in state-operated nursing facilities, insure that beds are in compliance with state and federal licensing requirements	100%	100%	100%	100%

Judiciary

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$111,835.2			\$157,099.3	\$161,482.9	\$168,555.1
All Funds	\$153,347.0			\$221,188.2	\$227,122.0	\$235,414.1
	% Change - GF/GP				2.8%	4.4%
	% Change - All Funds				2.7%	3.7%

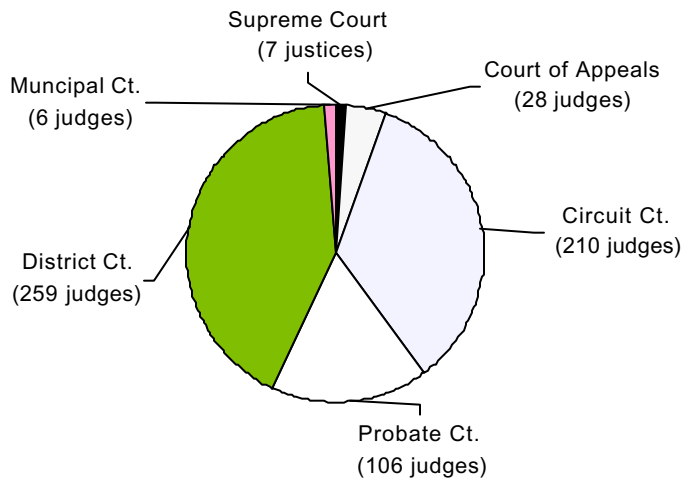
KEY ISSUES

	GF/GP	All Funds
Drug Court Programs	\$1,000.0	\$1,000.0
Court Fee Revenue Replacement	\$435.0	\$0.0
Judges' Retirement - Defined Contributions	\$380.8	\$380.8
PA 374 of 1996		
Trial Court Operation - Hold Harmless Reimbursement	(\$4,000.0)	(\$4,000.0)
Trial Court Operation - Court Equity Fund Reimbursement	\$4,000.0	\$4,000.0
Other Adjustments	\$157.4	\$1,705.8
Economic Adjustments	<u>\$5,099.0</u>	<u>\$5,205.5</u>
Subtotal	\$7,072.2	\$8,292.1
FY 2001 Executive Recommendation	\$168,555.1	\$235,414.1

Judiciary

Michigan's judicial authority is vested by the State Constitution in a court system composed of the Supreme Court, the Court of Appeals, the circuit court (which is the trial court of general jurisdiction including the family court division), the probate court, and courts of limited jurisdiction such as the Court of Claims, district court and municipal courts. Furthermore, the constitution states that the Supreme Court has general superintending control over all courts.

Michigan Judiciary



The statewide court system is administered by the Justices through the State Court Administrative Office. Education and training for judges and court staff are provided through the Michigan Judicial Institute.

The Judicial budget includes funding for operational expenses of the Supreme Court and Court of Appeals, judicial salaries,

management assistance and operational support for local courts, and indigent defense legal assistance. The fiscal year 2001 budget recommendation for the Judiciary totals \$235.4 million, of which \$168.6 million is general fund.

*Majority
of judges
serve in
local
courts*

Trial Court Operations

The Court Equity Fund, established in 1996, distributes funding to the state's 83 counties. Since fiscal year 1996, more than \$375 million in state support has been provided for local trial court operations. A five-year Hold Harmless Fund was also created to ensure a more gradual series of funding adjustments for Wayne County and Detroit. The Governor's fiscal year 2001 recommendation reflects the statutory formula that shifts \$4 million from the Hold Harmless Fund to the Court Equity Fund. The fiscal year 2001 recommendation includes \$77.8 million in funding for local trial courts.

Drug Court Programs

Drug courts are court dockets specially designed to address substance abuse problems among nonviolent offenders. Early, continuous, and intense judicially-supervised programs are combined with mandatory drug testing to reduce criminal behavior and substance abuse. A \$1 million supplemental increase in fiscal year 1999 expanded the number of drug court programs in the state. The fiscal year 2001 budget continues this funding in order to provide stable support for drug programs.

Community Dispute Resolution

The Governor's fiscal year 2001 budget continues increased state support for the Community Dispute Resolution Program, with total funding of \$2.6 million, of which \$576,100 is general fund. Predominately staffed with trained volunteers, centers located across the state offer mediation on a wide variety of issues as an alternative to litigation. The additional state support ensures each center receives a base level of funding sufficient to meet ongoing operational expenses.

Judicial Salaries

The budget includes several major recommendations related to judges' salaries, including:

- \$768,600 for full year costs of judicial salary increases recommended by the State Officers Compensation Commission for calendar year 2000 and an additional \$1.6 million for partial calendar year 2001 adjustments;
- \$380,800 general fund to support the employer contribution for the Judges' Defined Contribution Retirement program; and
- \$435,000 general fund to replace Court Fee Fund revenue which will not be available in fiscal year 2001.

Fiscal Year 2000 Supplemental

Since 1996, the Supreme Court has operated seven demonstration projects to determine the impact of administrative and organizational changes on delivery of justice, use of judicial resources, and operational efficiencies. Drawing on these experiences, a fiscal year 2000 supplemental appropriation of \$2.3 million is recommended to provide funding for additional court demonstration projects. Over a two-year period, incentive grants will be awarded for 35 courts to implement a variety of organizational designs, technology innovations, and streamlined docket processes. Projects will be evaluated for replication based on several factors including more timely completion of case processing, reduced costs, and increased public satisfaction with the court's performance.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
<p>In order to provide an alternative to costly litigation</p> <ul style="list-style-type: none"> • increase the percentage of cases resolved through mediation prior to filing a legal proceeding • increase the percentage of cases resolved through dispute resolution, retracting filed lawsuits • increase the dollar value of volunteer mediators 	<p>N/A</p> <p>49%</p> <p>\$360,000</p>	<p>6%</p> <p>49%</p> <p>\$370,000</p>	<p>13%</p> <p>57%</p> <p>\$395,000</p>	<p>83%</p> <p>62%</p> <p>\$500,000</p>
<p>In order to reduce criminal behavior and substance abuse, increase the number of programs operated by state-funded drug courts</p>	<p>N/A</p>	<p>N/A</p>	<p>70</p>	<p>120</p>

Family Independence Agency

(Amounts in Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$1,866,434.2			\$1,128,357.9	\$1,088,729.5	\$1,206,610.0
All Funds	\$3,475,242.7			\$3,161,222.3	\$3,642,932.4	\$3,507,392.2
	% Change -GF/GP				-3.5%	10.8%
	% Change - All Funds				15.2%	-3.7%

KEY ISSUES

	GF/GP	ALL FUNDS
Family Independence Program caseload decline	\$0.0	(\$66,300.0)
Rate Increases for Critical Programs	\$4,805.9	\$14,719.7
-- Family Independence Program 3.0% Grant Increase for Clients Unable to Work		
-- Kinship Care Benefit Increase		
-- Foster and Adoptive Parents 3.0% Rate Increase		
-- State Disability Assistance 5% Increase		
-- Emergency Shelter Grants 10% Increase		
TANF -- Increased State Costs from Final Federal Regulations	\$15,900.0	\$0.0
TANF -- Fund Homestead Credit for Low-Income Persons	\$0.0	\$27,000.0
Day Care -- Adjust to Expected Spending Level	\$0.0	(\$139,004.6)
Expand Project Zero Statewide	\$0.0	\$2,975.2
Data Processing - Child Support Initiatives, EB Transfer, Finger Imaging, ASSIST, and Other Costs	\$21,875.9	\$59,550.2
CSES Sanctions and Penalties	\$3,125.0	\$0.0
Child Support -- Decreasing Collections Associated With Assistance Cases	\$25,631.6	\$0.0
Food Stamps -- Adjust to Expected Spending Levels	\$0.0	(\$166,781.2)
Fund Source Adjustments -- FMAP Change, Reduced Social Services Block Grant	\$4,256.7	\$0.0
Foster Care and Adoption Subsidy Caseload Adjustments	\$16,801.1	\$37,587.8
State Disability Assistance and SSI Supplementation Costs	(\$500.9)	(\$500.9)
Child Care Fund Utilization Increase	\$2,837.6	\$2,837.6
Foster Parent Recruitment Increase	\$500.0	\$1,000.0
Family Reunification Increase	\$0.0	\$5,000.0
Domestic Violence Prevention Increase	\$0.0	\$650.0
Base Adjustments	\$9,126.8	\$30,820.5
Economic Adjustments	\$13,094.1	\$33,264.3
All Other Adjustments	\$426.7	\$21,641.2
Subtotal	\$117,880.5	(\$135,540.2)
FY 2001 Executive Recommendation	\$1,206,610.0	\$3,507,392.2

Family Independence Agency

The Family Independence Agency (FIA) assists individuals and families with meeting financial, medical, and social needs; helps people move toward self-sufficiency; and works to prevent abuse, neglect, and exploitation of both children and adults. The fiscal year 2001 recommendation of more than \$3.5 billion, of which \$1.2 billion is general fund, will allow FIA to continue to focus resources on numerous service and financial programs to achieve this mission.

Since "To Strengthen Michigan Families" began in 1992 nearly 236,000 FIP cases have been closed as a result of earnings.

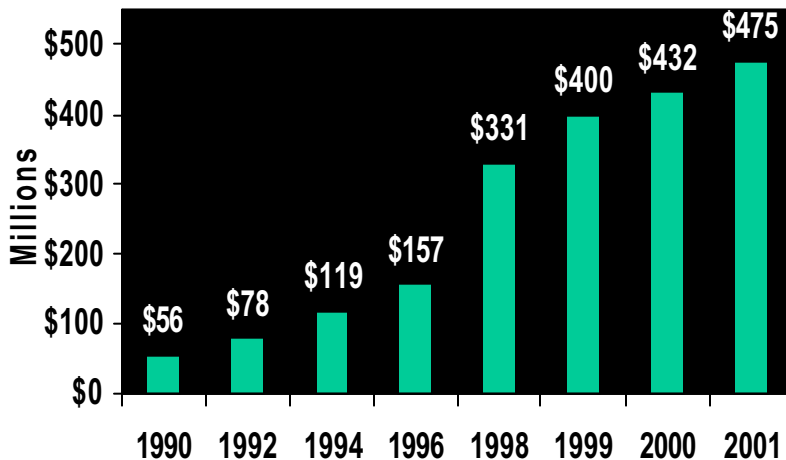
Caseload Changes

Day care spending continues to grow

Michigan's welfare reform efforts continue to produce extraordinary results. A reduction of nearly 15,000 FIP cases is expected between the 2000 and 2001 fiscal years. Increases in child day care spending provide improved employment access for welfare recipients and low-income families.

- ***FIP Caseload Continues to Decrease*** Michigan's welfare caseload decline continues to exceed the national average, dropping from an appropriated caseload of 78,300 in fiscal year 2000 to an anticipated 63,400 cases in fiscal year 2001. This results in a reduction of \$66.3 million in FIP caseload expenditures.

Day Care Expenditures



- ***Day Care Costs Continue To Rise, But At A Slower Pace*** Day care spending has risen by \$420 million, or 748 percent since fiscal year 1990. Although costs have dramatically escalated over the past decade, the rate of increase is beginning to slow to an anticipated 10 percent increase for 2001. This program helps support child care needs of low-income families as they seek and maintain employment.

Federal Government Mandates New Spending Requirements

The fiscal year 2001 budget recommendation for the Family Independence Agency includes significant increases in general fund spending. Much of this increased spending is mandated by changes in federal laws.

- ***Repeal of Hold Harmless For Child Support Collections*** Currently, Michigan uses child support collections to partially fund Family Independence Program cases. Due to recent changes in federal legislation, more of these collections will be sent to Washington instead of using them to support FIP program costs. This will force Michigan to spend an additional \$25.6 million general fund to meet federally mandated spending requirements.
- ***TANF Increased State Costs*** Temporary Assistance for Needy Families (TANF) is a \$775 million federal block grant used to administer welfare assistance programs and services. Final federal TANF regulations published in April 1999 stipulate that Michigan can no longer use TANF funding for certain services that were claimed in prior years. Over \$16.3 million in additional general fund spending is required to maintain services.
- ***Food Stamp Sanctions and CSES Penalties*** Michigan must pay \$4.4 million general fund for federally imposed Child Support Enforcement System (CSES) penalties, Food Stamp reinvestment requirements, and Food Stamp sanctions.
- ***Decreasing Social Services Block Grant*** Federal reductions in the Social Services Block Grant will reduce Michigan's grant by \$7.5 million, to \$61.2 million. In order to protect the critical services supported by the Social Services Block Grant, the Governor recommends that general fund resources be used to offset the loss of these federal funds.
- ***Homestead Credit for Low Income Families*** Beginning in fiscal year 2000 and continuing in fiscal year 2001, it is recommended that the Homestead Property Tax Credit be partially financed with \$27 million in federal TANF funds. Use of TANF funds will save an equal amount in general fund dollars. The savings will be redirected to pay for cost increases in the FIA budget caused by federal rule changes.

New Spending and Initiatives

- ***Foster Parent Recruitment*** An additional \$1 million has been proposed to increase the number of licensed foster care homes in Michigan. Some of the proposed initiatives, such as expanding the distribution of foster parent training materials, enhancing in-home training for foster parents, and developing statewide marketing strategies for foster home recruitment, will also contribute to increased retention of currently licensed foster homes.
- ***Family Reunification*** A total of \$5 million in TANF funding is recommended to implement intensive in-home family reunification services to enable children to be returned home earlier. Services are tailored to meet a family's particular needs and include counseling in areas

such as parenting skills and money management training. Funding will be devoted to services which lead to improved child safety, reduced time in foster care, and reduced likelihood of re-entering foster care. Ultimately, this program will help to reduce state costs in out-of-home placements.

*Project
Zero
succeeds*

- ***Domestic Violence Prevention*** Domestic violence shelters provide many services to help victims of domestic violence. Proposed spending of \$650,000 for an enhanced program will improve access to emergency shelters and support services. This increased funding will also be directed toward specialized services for children who witness domestic violence in their homes.
- ***Expand Project Zero Statewide*** The final phase of Michigan's highly successful Project Zero program will occur in fiscal year 2001. The

remaining 26 non-Project Zero sites will join the 71 Project Zero sites expected to be operating by the end of the current fiscal year. The goal of Project Zero is to assist people to overcome employment barriers and to promote continued employment by providing intensive services such as mentoring, transportation, and extended day care hours. Project Zero is locally based, with service interventions designed specifically to meet local needs. Since 1997, nearly half of existing Project Zero sites



have achieved 100 percent employment of their target cases. A recommended increase of \$3 million will bring Project Zero funding up to \$14 million for fiscal year 2001.

Rate Increases

Rate increases are recommended for numerous critical FIA programs in fiscal year 2001, demonstrating the Governor's commitment to core FIA priorities. Programs recommended for increases include:

- A 3.0 percent inflationary increase for the FIP grant, at an additional cost of \$2.9 million, will subsidize families whose adult caretaker is unable to work.
- Kinship care is provided by relatives for children who can't live with a parent. This care maintains family ties and avoids a licensed foster care setting for a child. An additional \$3 million will increase the FIP payment rate for relatives by 21 percent, to \$242 per month.
- In order to keep pace with inflation, \$6.8 million is added to the budget to support a 3.0 percent rate increase for foster and adoptive parents.
- Approximately 7,400 eligible recipients of State Disability Assistance will receive an extra \$11.45 per month due to a funding increase of more than \$1 million. This will be the first rate increase since the program began in 1992.
- A recommended increase of \$1 million for shelter grants and Salvation Army contracts will help to cover shelter and meal costs for homeless individuals and families; it will raise the daily reimbursement rate from \$10 to \$11 per bed.

Data Processing

Also recommended are significant investments in FIA's data processing infrastructure. These funding increases will improve processing time and increase the number and kinds of tasks performed, thus enhancing administrative efficiency and effectiveness.

- The Child Support Enforcement System (CSES) requires an increase of \$29.1 million to be operational by fiscal year 2001. The funding will be devoted to a system for establishing and enforcing child support orders, collecting and disbursing child support funds, and reporting information to the federal government. It is necessary to complete the system in order to avoid further federal financial penalties.
- An additional \$9.9 million is recommended to insure that the Child Support Distribution System, which will centralize child support collections throughout the state, is operational during fiscal year 2001.
- Michigan has mandated an automated finger imaging system to prevent individuals from illegally receiving cash assistance and food stamps under more than one name. The Governor has recommended \$8.7 million to purchase and implement this finger imaging system.

- Federal law mandates the completion of an Electronic Benefits Transfer (EBT) system by October 1, 2002. The system will replace food stamp coupons with an electronic debit card process. An additional \$7 million is needed in fiscal year 2001 to continue development of this system.

Other Technical Changes

- ***Food Stamp Adjustment to Expected Benefits and Caseload*** The fiscal year 2000 appropriation of this federally funded program exceeds the amount needed to finance the program by \$130 million. In addition, the number of people eligible to receive Food Stamps is expected to decline slightly between fiscal years 2000 and 2001. These two items result in a \$167 million recommended adjustment to the budget.
- ***Federal Share of Funding Increases*** The Federal Medical Assistance Percentage (FMAP) rate will increase just over one percentage point in fiscal year 2001. This will result in a general fund savings of \$3.4 million in Foster Care and Adoption Subsidy payments which will be financed with a larger percentage of Federal revenue.

Fiscal Year 2000 Supplemental

Nearly \$144 million in gross supplemental appropriations for fiscal year 2000 will fund several one-time FIA projects and services. The general fund portion of this amount exceeds \$54 million. Most of the supplemental funding will be directed toward improving or expanding services to FIA clients, while some of the funds will be used to fulfill spending requirements mandated by federal or state laws.

"... we recognize that those still out of the workforce present some of the most daunting challenges yet. To assist us, and to help these families help themselves, we will draw upon the experience of some very capable partners - educators, faith-based groups, Michigan Works! agencies, and other public and private groups. Our unprecedented effort will involve the entire family. We will go the extra mile, including child-care and summer school for all kids. Our objective is to remove all barriers to work."

John Engler, State of the State Address, January 19, 2000

- ***Family Opportunity Project*** Several one-time spending recommendations, totaling \$50 million in Federal Temporary Assistance for Needy Families (TANF) funds, will help FIP families overcome employment barriers and housing problems. The intensive Summer Family Enrichment Program will assist unemployed FIP clients with increasing employment opportunities. The Michigan Affordable Housing fund will support increased home ownership for low-income families. Funding for Individual Development Accounts (IDA's) will provide matching funds to help low-income families purchase homes, open businesses, or finance education.
- ***Personal Computer Replacement*** A total appropriation of \$15 million (\$6 million general fund) will replace approximately 8,000 aging and obsolete computers in FIA field offices. Many of these older computers

are unable to run multiple programs at once. New computers will have faster processing times which will increase worker productivity.

- ***Teen Pregnancy Reduction Project*** Michigan recently received a \$20 million TANF bonus for successfully reducing out-of-wedlock births. However, Michigan's out-of-wedlock birth rate still exceeds the national average. This bonus money will be used to fund additional intensive pregnancy prevention efforts in order to reduce Michigan's out-of-wedlock birth rate below the national average by 2002. A portion of the funding will be targeted at high school and middle school students in cities with high teen pregnancy rates. A variety of proven services will be provided to reduce teen sexual activity and teen pregnancy. In addition, some of the funding will be used to strengthen paternity identification activities with the goal of establishing paternity for 100 percent of the children born in Michigan.
- ***Costs Resulting from Final TANF Regulations*** When enacted, the fiscal year 2000 budget anticipated using TANF funding to support activities in several areas for which final TANF regulations (published in April 1999) prohibit reimbursement. General fund resources totaling \$16.3 million must be used in place of federal funds for certain foster care activities and court-operated in-home services for juveniles.
- ***Children's Trust Fund*** The purpose of the Children's Trust Fund is to fund local efforts to prevent child abuse and neglect. A recommended one-time general fund appropriation of \$13.1 million will fully fund the trust at \$20 million, as specified by state statute. This funding will support increased local child abuse prevention activities and will simplify the state tax system by eliminating the need for a special check-off section on the state income tax form.
- ***Food Stamp Reinvestment*** Due to the large proportion of Food Stamp recipients with earned income, and due to the complex federal Food Stamp regulations governing the budgeting of that income, Michigan's error rate has exceeded the national average. In order to meet Food Stamp requirements, Michigan will spend \$18.8 million general fund in order to minimize Food Stamp payment errors. This investment will cover all potential sanctions for the 2000 and 2001 fiscal years and will help to bring error rates under control.
- ***Homestead Property Tax Credit for Low Income Families*** As previously described, it is recommended that the current Homestead Property Tax Credit be partially funded with federal funds beginning in the current fiscal year.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Reduce the number of children in foster care who have been out-of-home care for more than 24 months	3,300	3,200	3,150	3,000
Protect the safety of children by reducing the number of substantiated abuse and neglect cases through the use of prevention and early intervention services for at-risk families				
Decrease the percentage of re-referrals for abuse and neglect cases to no more than 25 percent of the total substantiated abuse and neglect caseload	35.8%	30%	25%	25%
Increase the number of adoptions	2,234	2,350	2,500	2,700
In order to meet the needs of children in out-of-home care, increase the number of licensed foster homes	7,298	6,774	7,000	7,500
At least 80% of juvenile justice youth under FIA supervision will remain free of a felony conviction for two years following release from a residential placement	75%	75%	77%	80%
Meet or exceed the federal Personal Responsibility Act employment targets: 1) All Families 2) Two-Parent Families	49.2% 63.9%	43.8% 69.1%	40% 90%	45% 90%
<i>Note: The Federal law allows these statutory targets to be adjusted downward to reflect caseload declines. The targets reflected on this table for FY 2000 and FY 2001 have not been adjusted</i>				
Increase the percentage of Project Zero sites achieving 100% of targeted cases with earned income	17%	63%	73%	81%

Department of Agriculture

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$45,472.0			\$48,887.0	\$45,883.9	\$50,469.8
All Funds	\$70,589.9			\$89,037.7	\$91,750.0	\$100,671.6
	% Change - GF/GP				-6.1%	10.0%
	% Change - All Funds				3.0%	9.7%

KEY ISSUES

	GF/GP	All Funds
Bovine Tuberculosis Surveillance and Eradication	\$3,400.0	\$3,400.0
Michigan Agriculture Environmental Assurance Program	\$570.0	\$570.0
Information Technology	\$500.0	\$500.0
Bulk Storage Inspection Enhancement	\$150.0	\$150.0
Pesticide Data Collection and Marketplace Inspections	\$0.0	\$536.0
Local Public Health Operations - 3% Increase	\$0.0	\$1,089.2
Agriculture Equine Industry Development Fund Adjustments	\$0.0	\$1,507.8
Other Adjustments	(\$1,682.6)	(\$779.8)
Economic Adjustments	<u>\$1,648.5</u>	<u>\$1,948.4</u>
Subtotal	\$4,585.9	\$8,921.6
FY 2001 Executive Recommendation	\$50,469.8	\$100,671.6

Department of Agriculture

The Michigan Department of Agriculture (MDA) is charged with serving, promoting and protecting food, agriculture and economic interests of the people of the State of Michigan. Department programs serve all sectors of agriculture, which is Michigan's second-largest industry.

The fiscal year 2001 budget for the Michigan Department of Agriculture reflects the Governor's commitment to pioneering food safety initiatives, advancing environmentally-sound agricultural practices and investing in continued growth and economic health of the state's food and agriculture industries. The fiscal

"Michigan is ready to take steps to make the food on your table safer, whether it's delivered by a waiter or bought from a grocer. It's a start, and it's long overdue. Legislation to overhaul the state's food safety laws for the first time in 30 years would create one set of safety standards for restaurants and grocery stores... The Department of Agriculture deserves praise for tackling the food safety issue."

—**Detroit Free Press, December 20, 1999**

year 2001 recommendation for the Department of Agriculture equals \$100.7 million total, of which \$50.5 million is general fund, representing a 10 percent general fund increase over fiscal year 2000.

The recommended growth in spending provides support for food safety inspections, regulation of food and feed, management of pesticides, and oversight of the Michigan State Fair, the Upper Peninsula State Fair and 88 other county and local fairs.

Sustaining Michigan's Safe and Wholesome Food Supply

Underscoring the importance of food safety, the fiscal year 2001 budget provides funding of \$6.1 million in general fund revenues to support Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs). A joint initiative of the Department of Agriculture and Michigan State University, Project GREEN is in its third year of operation. With total investments approaching \$18 million, Project GREEN works to address critical regulatory, food safety, economic and environmental problems that challenge plant-based agriculture industries. Through this joint venture, the future success of Michigan's plant agriculture and its potential for economic growth is balanced with efforts to protect and preserve the quality of the environment and the safety of our food supply.

The Michigan Department of Agriculture has earned national recognition for its commitment to food safety by monitoring Michigan's food supply at each step in the food chain and enforcing the state's strict food and dairy laws. Ensuring safe and wholesome food products for consumers involves state and local licensing and inspection of food establishments and dairy operations, sampling food commodities, and investigating food borne illnesses. The fiscal year 2001 budget includes \$29.4 million to support various food safety efforts, including qualified inspection staff, improved automated inspection systems, and laboratory testing of fresh commodities and processed food.

The Michigan Department of Agriculture is actively pursuing the most comprehensive revision of the state's food safety policies in 35 years. In collaboration with local health departments and representatives of grocery, restaurant and food service industries, the department has developed a unified food code that will be considered during the 2000 legislative session. The revised food safety standards maintain a commitment to science-based standards and offer a uniform and streamlined approach that reduces duplication of effort. Resources will be targeted to the areas of greatest risk, providing quick response to food borne illnesses, and solving problems in the regulated community.

Leadership in Pollution Prevention

The fiscal year 2001 recommendation includes \$570,000 to implement the Michigan Agriculture Environmental Assurance Program (MAEAP). This comprehensive pollution prevention initiative for the farming community is initially targeted at new and expanding livestock facilities and facilities located in environmentally sensitive areas. The department will assist livestock facilities to develop environmental and public health risk assessments, such as manure management for odor abatement and streambank fencing to protect surface water quality. By utilizing whole-farm risk assessments, nutrient management plans, educational requirements, and Generally Accepted Agricultural and Management Practices, MAEAP can provide an effective alternative to federal permitting programs. By year 2005, eighty-five percent of the livestock production in Michigan will receive MAEAP certification, demonstrating the farm community's commitment to sound, responsible environmental stewardship.

Safeguarding Our Water Supplies

Agri-chemical bulk storage facilities on the farm and in the commercial setting are on the rise. A large number of turf management businesses also maintain bulk storage facilities, primarily for fertilizer. Proper handling, storage and disposal of pesticides and fertilizers avoids environmental damage and costly cleanups. More importantly, Michigan residents are assured safe water supplies and cleaner surface and groundwater.

The fiscal year 2001 budget recommends an increase of \$150,000 to monitor the use and disposal of pesticides and fertilizers in urban communities, and to provide technical assistance to farmers and commercial operators in meeting bulk storage regulations. Additional federal funding of \$536,000 will support increased data collection, marketplace inspections, and regulation of pesticide sale and use in urban communities.

Securing Seasonal Agricultural Workforce

Michigan ranks in the top ten nationally in the production of crops which require the use of migrant workers for planting, cultivating, harvesting and packaging. Satisfactory housing accommodations are essential to secure an adequate seasonal workforce. The Michigan Department of Agriculture licenses and inspects labor housing sites and provides new construction and housing improvement grants to housing operators and growers. The fiscal year 2001

budget includes \$550,000 for migrant housing, maintaining a \$250,000 increase appropriated in fiscal year 2000.

Eradicating Bovine Tuberculosis

Michigan continues its efforts to eradicate bovine tuberculosis (TB) from the state. Following Governor Engler's 1998 directive, the departments of Agriculture, Community Health, and Natural Resources have taken aggressive steps to address this problem. Veterinarians have conducted over 50,000 TB tests on cattle and goats from nearly 1,100 farms, examined approximately 45,000 hunter-harvested deer, and performed 35,000 diagnostic tests.

The fiscal year 2001 recommendation includes an increase of \$3.4 million, bringing total bovine TB funding to \$14.3 million, in order to provide ongoing resources for surveillance testing, equipment and public education.

Michigan's Horse Racing Industry

The horse race industry is an important component of Michigan's agricultural industry. Popularity of horse racing has increased tremendously since its inception in 1933, when pari-mutuel horse racing first began at the Michigan State Fairgrounds track in Detroit. In 1997, more than 2,400 days of live and simulcast pari-mutuel racing were presented at eight licensed track locations, including six harness race tracks, one thoroughbred track and one mixed breed track.

Horse racing revenues are deposited into the Agriculture Equine Industry Development Fund and are estimated to total \$13.2 million in fiscal year 2001. The revenue provides economic support for Michigan's horse racing infrastructure, breeders' and owners' awards, as well as purse revenues for fairs that offer horse racing. A \$1.0 million supplemental appropriation is recommended for fiscal year 2000, reflecting available Agriculture Equine Industry Development Funds. The fiscal year 2001 recommendation increases spending by an additional \$657,300, or 5.3 percent.

Information Technology

The budget recommendation for fiscal year 2001 includes \$500,000 for information technology to improve efficiency in the delivery of department services. Components of the proposed system include electronic-commerce for improvements in licensing, inspections, complaint handling and document management, consumer internet, geographic mapping of food safety incidents, and reduction of paper processing.

Fiscal Year 2000 Supplemental

As discussed, supplemental appropriations of \$1.0 million are recommended for fiscal year 2000 to budget available Agriculture Equine Industry Development Funds.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Reduce the number of food-borne illnesses by 4% per year as a result of licensing and inspection activities.	2,700	2,500	2,400	2,300
Promote economic profitability of Michigan's agricultural industry by increasing the value of export sales as a result of Department of Agriculture efforts.	N/A	\$250,000	\$500,000	\$750,000
Ensure consumer protection by increasing the percentage of gasoline meeting quality standards	91%	88%	93%	95%

Department of Environmental Quality

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$95,657.7			\$92,501.3	\$96,246.4	\$99,825.0
All Funds	\$160,084.7			\$521,540.9	\$393,588.6	\$406,611.6
	% Change - GF/GP				4.0%	3.7%
	% Change - All Funds				-24.5%	3.3%

KEY ISSUES	GF/GP	All Funds
Wetlands Enforcement Efforts	\$375.0	\$375.0
Nonpoint Source Water Pollution Federal Grants	\$0.0	\$3,000.0
Great Lakes Research Protection Grants	\$0.0	\$1,000.0
Local Public Health Operations - 3.0% Increase	\$0.0	\$676.7
Environmental Assistance Increase	\$0.0	\$300.0
Innovations and Incentives Program Increase	\$0.0	\$275.0
Community Pollution Prevention Grants	\$0.0	\$250.0
One-Stop Reporting Information System	\$0.0	\$200.0
Scrap Tire Market Demonstration Project	\$0.0	\$200.0
Other Adjustments	(\$100.0)	\$788.1
Economic Adjustments	<u>\$3,303.6</u>	<u>\$5,958.2</u>
Subtotal	\$3,578.6	\$13,023.0
FY 2001 Executive Recommendation	\$99,825.0	\$406,611.6

Department of Environmental Quality

The Department of Environmental Quality is committed to restoring and enhancing Michigan's environment for the protection of public health and the preservation of our natural resources. Acting as the chief steward for air, land, and water quality, the department focuses on environmental monitoring, permitting, enforcement, and innovative partnerships that add to the quality of life enjoyed by residents and visitors alike.

As Michigan enters the new millennium, the Department of Environmental Quality moves forward with a renewed emphasis on pollution prevention and cleanup, implementing numerous

environmental projects authorized in November 1998 by the Clean Michigan Bond Initiative. More than \$115 million is being distributed during fiscal year 2000 to communities across the state for brownfield and waterfront redevelopment, water quality programs and pollution prevention strategies. Supplemental fiscal year 2000 appropriations of \$80.9 million will expand these efforts and begin clean water programs.

"Clearly, Michigan's commitment and progressive thinking can serve as a model for brownfield policies and programs nationally . . ."

— John W. Clark, Chairman, Consumer's Renaissance Development Corporation

*Almost
5,000 jobs
created at
brownfield
sites*

The Governor's fiscal year 2001 budget recommendation provides total funding of \$406.6 million, of which \$99.8 million is general fund, reflecting a 3.3 percent increase over fiscal year 2000.

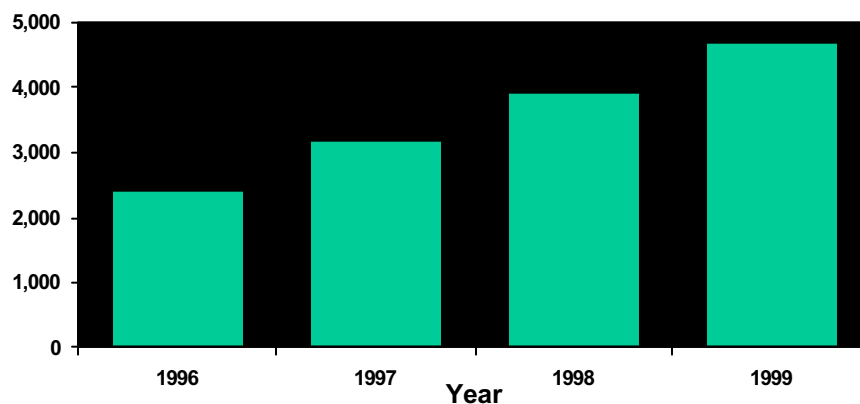
Environmental Cleanup

The department continues its fifth year of implementing the Environmental Cleanup and Redevelopment program. The Governor's fiscal year 2001 budget recommends \$22 million for cleanup activities to protect public health and the

environment, especially at sites with acute health or environmental problems.

With the passage of the Clean Michigan Bond Initiative, \$335 million is targeted to

Number of Jobs Created at Brownfield Sites



prepare sites for economic redevelopment. Re-use of “brownfield” sites — properties where perceived or actual environmental contamination is a barrier to redevelopment — allows sites to be used for new development. A survey of 33 Michigan communities shows that cleanup activities have increased financial investment and created jobs.

Wetlands Enforcement Efforts

In 1984, Michigan was the first state authorized by the federal government to issue wetlands permits, and remains one of only two states delegated with this responsibility. Nearly 6,000 permits are reviewed and issued each year to preserve complex ecosystems that support a variety of plant and animal life. Wetlands contribute to the quality of other valued natural resources in Michigan such as inland lakes, groundwater, fisheries, wildlife, and the Great Lakes. The Governor’s fiscal year 2001 budget adds \$375,000 in general fund support to strengthen wetlands enforcement efforts.

Nonpoint Source Water Pollution Federal Grants

The nonpoint source pollution program has greatly reduced the amount of pollution reaching the state’s surface waters from diffuse sources. It is estimated that the program has prevented 94,000 tons of sediment, 111,000 pounds of phosphorus and 114,000 pounds of nitrogen from entering Michigan’s lakes and streams each year. In fiscal year 2000, federal grant awards of \$5.8 million are supplemented with \$12 million from the Clean Michigan Initiative program. The Governor’s fiscal year 2001 budget includes an additional \$3 million in federal support for long term efforts to protect and improve surface water quality.

Great Lakes Research Protection Grants

In 1989, the eight Great Lakes states created the Great Lakes Protection Fund, a permanent funding source to support research and demonstration projects designed to preserve, enhance and restore the Great Lakes. The fiscal year 2001 budget contains an increase of \$1 million from the Great Lakes Protection Fund for pollution abatement, land conservation, Great Lakes habitat protection, cleanup actions, and monitoring programs.

Community Pollution Prevention Grants

The Community Pollution Prevention Fund, created in 1996, annually receives a portion of unclaimed bottle deposit revenue collections. As provided by law, the Fund’s investments may be used as matching grants to counties, local health departments, municipalities and regional planning agencies for pollution prevention activities. The fiscal year 2001 budget recommends an increase of \$250,000 for cost-shared pollution prevention activities and programs designed to educate the public about the disposal of toxic material.

Other Recommendations

As more emphasis has been placed on pollution prevention, there is an increased need for assistance and services to businesses, especially small businesses. The fiscal year 2001 budget adds \$300,000 for field staff in DEQ district offices, who

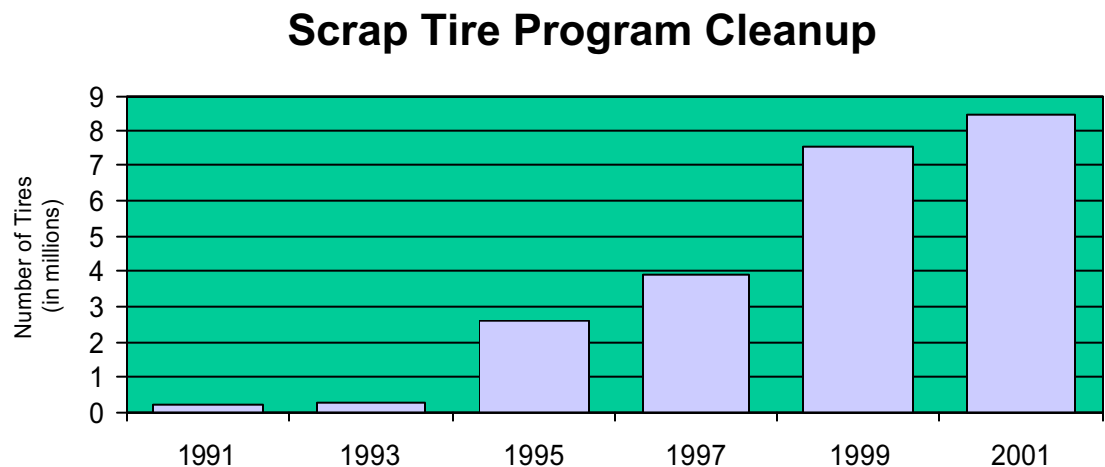
will integrate pollution prevention practices into regulatory programs. Due to growth in innovative, incentive-based pollution prevention programs such as the Clean Corporate Citizen and Air Emission Trading programs, \$275,000 is also recommended to help more businesses reduce pollution.

The Executive budget recommends \$10.3 million for local public health operations, a 3 percent funding increase. This funding supports drinking water supply and on-site sewage management activities performed by local health departments.

With the recommended addition of \$200,000, the department will expand its efforts to improve the collection and reporting of data across multiple state and federal regulatory programs. The One-Stop Reporting project simplifies data collection, develops common data definitions and improves public access to information.

The illegal accumulation of scrap tires results in public health, environmental and aesthetic problems for many communities. Since 1991, more than 1,000 sites have been cleared of nearly 5 million scrap tires. In the fiscal year 2001 budget, \$200,000 is recommended to explore the possible use of scrap tire material to manufacture support poles for guard rails and signs used by the Michigan Department of Transportation.

*By 2001,
nearly 9
million
scrap tires
will be
removed
in
Michigan*



Program Outcomes	FY1998	FY1999	FY2000	FY2001
To promote the use of pollution prevention practices by small businesses, increase the number of consultant contacts provided by the Michigan Retired Engineer Technical Assistance Program (RETAP)	34	68	100	150
To improve urban renewal and economic development opportunities, increase the number of abandoned or illegal scrap tires removed from communities	5,100,000	7,600,000	8,000,000	8,500,000
To prevent release of petroleum and hazardous substances into the environment				
• increase the percentage of substandard storage tanks closed	N/A	4.9%	13.2%	18.2%
• increase the cumulative total of underground tanks closed	55,700	57,700	61,700	63,700
• increase the cumulative total of leaking underground storage tanks closed	6,400	7,500	8,600	9,700

Department of Natural Resources

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$47,292.8			\$49,650.0	\$51,495.0	\$55,723.9
All Funds	\$156,399.5			\$228,824.5	\$253,387.7	\$254,238.4
	% Change - GF/GP				3.7%	8.2%
	% Change - All Funds				10.7%	0.3%

KEY ISSUES	GF/GP	All Funds
Forest Development Fund Revenue Replacement	\$2,535.0	\$0.0
Cooperative Resource Program Enhancement	\$540.0	\$540.0
National Recreation Trail Grant Increase	\$0.0	\$1,300.0
Great Lakes Ecological Information Centers Operating Costs	\$0.0	\$1,000.0
Michigan Civilian Conservation Corps - State Park Maintenance	\$0.0	\$1,000.0
Forest Recreation - Increased/New Fees	\$0.0	\$425.0
One-Time Funding Adjustments	(\$360.4)	(\$360.4)
Remove One-Time Funding - Local Recreation Grants	\$0.0	(\$11,476.4)
Other Adjustments	\$261.6	\$1,991.0
Economic Adjustments	<u>\$1,252.7</u>	<u>\$6,431.5</u>
Subtotal	\$4,228.9	\$850.7
FY 2001 Executive Recommendation	\$55,723.9	\$254,238.4

Department of Natural Resources

The Department of Natural Resources provides stewardship and management of natural resources and promotes recreational opportunities for the enjoyment of Michigan citizens and visitors. Michigan's precious resource heritage is maintained through a variety of programs administered by the department. From forest management to wildlife and fisheries programs, from parks and campgrounds to youth outdoor education, the department works to preserve the state's natural resources for current and future generations.

The Governor's fiscal year 2001 budget recommendation for the Department of Natural Resources includes total funding of \$254.2 million, of which \$55.7 million is general fund, an 8.2 percent increase from fiscal year 2000.

Protecting Forest Resources for Future Generations

Michigan has the largest state forest system in the United States, occupying one-fifth of the total forest area in the state. The Department of Natural Resources is responsible for managing 3.9 million acres of forest lands and providing fire protection on 20 million acres of forest and wild lands. Forest resource management balances social, recreational, environmental and economic opportunities made possible by this vast natural resource.

Michigan's forest industry presently contributes over \$9 billion to the state's economy. Consumer demand for wood products provides a market for state forest timber with sale proceeds deposited to the Forest Development Fund. Over the past five years, average annual revenue of \$17.7 million kept pace with forest management program expenditures. A projected decline in foreign market sales, coupled with new spending initiatives this year, result in a projected Forest Development Fund revenue shortfall of \$2.5 million for fiscal year 2001. The Governor's budget recommends \$2.5 million in general fund support to continue critical forest resource management programs.

In addition, the fiscal year 2001 budget includes \$1.4 million for the second year of a five-year plan to provide an up-to-date inventory of Michigan's forest resources. The new system, developed in partnership with the federal Forest Service, will inventory all state forests and allow forest managers to make decisions based on current scientific data. The continuous process of improving, harvesting and regenerating stands of timber provides needed wood products, renews wildlife habitat and forms a healthy forest base for recreational uses.

An Integrated Approach to Resource Management

Resource management in rural forests, suburban communities and urban centers is vital to sustaining the quality of life in Michigan. A coordinated effort between public agencies and private sector conservation groups is occurring in fiscal year 2000 to promote effective management of landscapes across the state. Landowners are encouraged to reclaim, revitalize and maintain healthy landscapes for the long term health of forest land. Efforts are underway to

establish local programs and outreach to communities and landowners. Local conservation districts serve as gateways, providing links between land-users and public/private service providers and coordinating resources available to private citizens. The fiscal year 2001 budget recommendation includes \$1.3 million in state support to continue these efforts, with \$810,000 targeted to Michigan's conservation districts. In addition, the fiscal year 2001 budget provides an increase of \$540,000 to establish a tree planting initiative in urban and suburban areas to enhance pride in local communities and increase environmental awareness.

Forest Recreational Opportunities

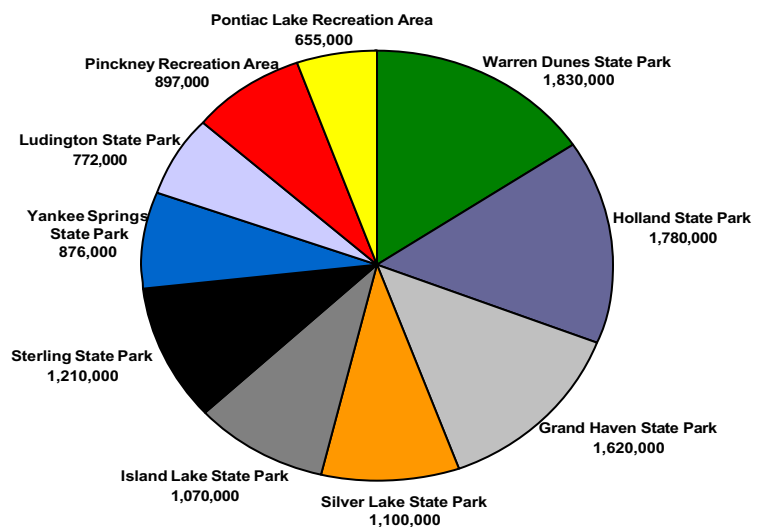
The Department of Natural Resources manages state forest campgrounds, water access sites, pathways and trails for off-road vehicle, snowmobile and cross-country ski enthusiasts. Participation in forest recreation programs has reached 18.4 million visits per year and is expected to increase 9 percent over the next two years.

The fiscal year 2001 budget recommends an additional \$425,000 from increased user fees for general infrastructure improvements, trail development and accessibility for persons with disabilities. Forest user fees will increase from \$6.00 to \$8.00 for daily camping and a new camping fee of \$15.00 will allow fifteen consecutive days of camping on state forest land. The fiscal year 2001 recommended budget also includes increased federal support of \$1.3 million, for total funding of \$1.9 million, to improve and develop recreational trails.

*27.7
million
visitors
to state
parks in
1999*

State park attendance increased more than 5 percent in 1999 – the second consecutive year of record-breaking attendance. More visitors can be expected as state park revitalization efforts accelerate with a \$50 million funding boost from the Clean Michigan Initiative, approved in November 1998. The department received an authorization of \$28.2 million to implement the first three years of a five-year park improvement plan, addressing critical state park infrastructure projects. In addition, the fiscal year 2001 budget enhances these efforts with \$1 million from the Michigan Civilian Conservation Corps Endowment Fund, providing work experiences and training for young, unemployed persons while assisting the department in maintaining the state park infrastructure.

State Park Usage
Michigan's 1999 Top Ten Locations



Outdoor Education Efforts

The Governor's fiscal year 2001 budget includes \$2.8 million to continue the department's efforts to promote appreciation of Michigan's outdoor heritage among young people. The development of "pocket parks" at the Michigan State Fair in Detroit and the Upper Peninsula State Fair in Escanaba brings together a sampling of Michigan's natural wonders and recreational adventures. "Michigan: Your Great Outdoor Adventure" provides interactive displays, daily seminars, demonstrations, and hands-on activities, encouraging families and individuals to learn more about outdoor recreational activities. Visitors try their skills at fishing and casting, experience a campsite and fire ring, and aim a laser-lighted firearm at stations located throughout the parks. In 1999, Michigan State Fair "pocket park" attendance totaled 160,000, while 100,000 visitors enjoyed similar activities at the Upper Peninsula State Fair.

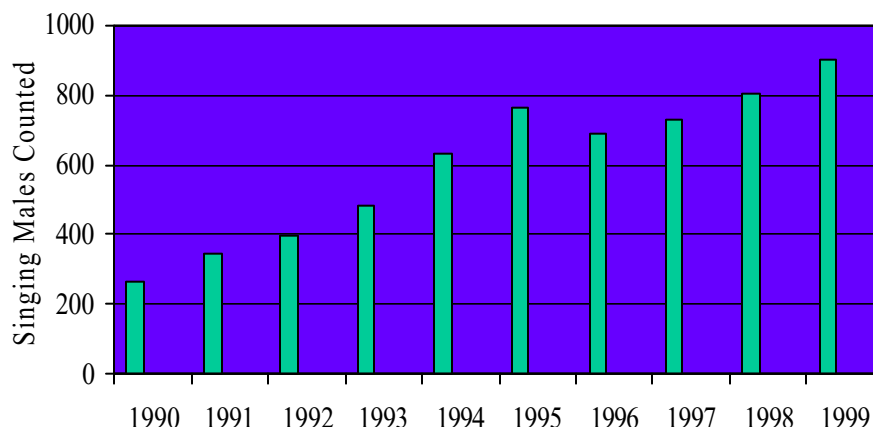
In November 1999, Governor Engler unveiled the DNR Millenium Education Project. "Great STATE, Great PARKS, Great HISTORY!" — a supplement to the mandatory Michigan history curriculum — promotes learning experiences for fourth grade students and their families about Michigan's history, its natural resources and state parks. Students and families have fun while learning through cartoon characters Sandy Dunes, Forrest Trails, Buck Wilder, and Greta and Grady Lakes. More than 6,800 curriculum packages for public and charter school classrooms, distributed since 1999, link natural resources education with objectives set by the Michigan Educational Assessment Program.

*Endangered
species
management
efforts are
effective*

Other educational experiences are found at Great Lakes ecological information centers located at six fish hatcheries throughout the state. The Oden State Fish Hatchery, located on 120 acres near Petoskey, is undergoing major construction to replace the hatchery with state-of-the art fish-rearing facilities. The project also creates the Great Lakes Interpretive Center, incorporating the 1920 hatchery building into plans for an auditorium/classroom facility. The center will demonstrate stream habitat improvement structures and feature an interpretive trail along a natural streambed leading to artesian spring-fed ponds. The fiscal

year 2001 budget includes \$1 million for operational costs at the Oden interpretive center, as well as Great Lakes ecological centers at Harrietta, Marquette, Platte River, Thompson, and Wolf Lake hatcheries.

**Spring Census of Kirtland's Warblers
in Michigan**



Fiscal Year 2000 Supplemental

A general fund supplemental of \$2.4 million is recommended to fully fund the Nongame Fish and Wildlife Trust Fund. This additional funding will bring the fund balance to the statutory maximum of \$6 million. This action will serve two purposes: (1) it will provide increased investment income for the Trust Fund to support research and management of nongame fish and wildlife, and designated endangered animal and plant species; and (2) it will simplify the administration of the state tax system by eliminating the current option to donate to the Fund via the income tax form.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
In order to contribute to Michigan's economic growth and promote a variety of recreational opportunities				
• increase the percentage of visits to state forest areas	3,600,000	3,708,000	+6%	+9%
• increase the percentage of day use visits at state parks	26,332,000	26,858,000	+4%	+6%
In order to protect threatened and endangered species				
• Increase the population of Kirtland's Warbler	1,602	1,806	+14%	+17%
• Maintain the regeneration of jack pine trees for Kirtland's Warbler nesting habitat	2,872 acres	2,214 acres	3,000 acres	3,000 acres
In order to promote resource management in rural forests, suburban communities, and urban centers, increase the percentage of landowners receiving technical assistance from local conservation districts.	N/A	N/A	5%	15%

Department of Transportation

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$0.0			\$0.0	\$0.0	\$0.0
All Funds	\$2,243,650.6			\$2,779,794.6	\$2,808,545.7	\$2,984,764.6
	% Change - GF/GP				0.0%	0.0%
	% Change - All Funds				1.0%	6.3%

KEY ISSUES

		GF/GP	All Funds
ROAD AND BRIDGE PROGRAMS			
Transportation Revenue Increases		\$0.0	\$55,256.0
- State Trunkline Road and Bridge	\$6,002.7		
- County Road Commissions	\$31,301.4		
- Cities and Villages	\$17,451.9		
- Critical Bridge Program	\$500.0		
Federal Aid Revenue Increases		\$0.0	\$81,923.1
- State Trunkline Road and Bridge	\$37,124.0		
- Local Road and Bridge Construction	\$34,726.0		
- Federal Statewide Planning & Research (SPR)	\$10,073.1		
Increased Maintenance Program Allocations		\$0.0	\$4,581.5
- System Expansion/Signals/Safety Testing	\$2,794.0		
- Rest Areas and Roadside Services	\$1,787.5		
PUBLIC TRANSPORTATION PROGRAMS			
Public Transportation and Rail Program Support		\$0.0	\$29,605.9
- Local Bus Operating	\$6,000.0		
- Local Bus Operating: Unreserved Balance	(\$6,000.0)		
- Federal Program Adjustments	\$24,954.0		
- Other Adjustments	\$4,651.9		
ADMINISTRATION			
Administrative Savings		\$0.0	\$4,852.4
- Secretary of State: Net Lapse/Adjustments	(\$3,000.0)		
- Administrative Cost Savings	(\$3,962.5)		
- Other Adjustments	(\$1,110.1)		
- Economic Adjustments	\$12,925.0		
Subtotal		\$0.0	\$176,218.9
FY 2001 Executive Recommendation		\$0.0	\$2,984,764.6

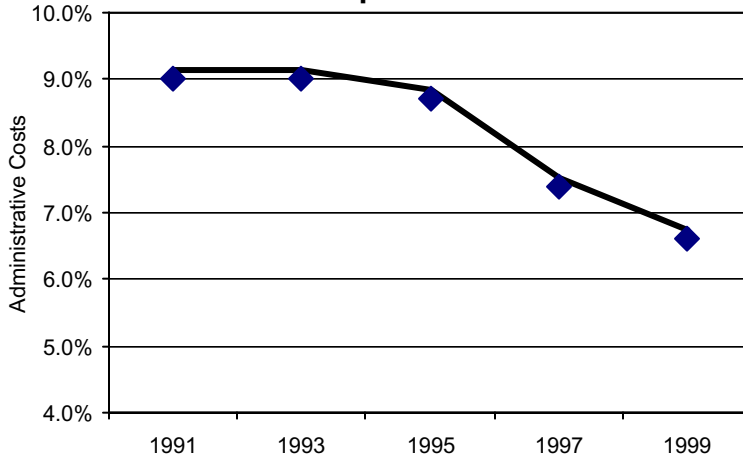
Department of Transportation

The Governor's *Build Michigan II* investment plan is delivering on his commitment to make Michigan's transportation infrastructure second to none. Record construction seasons in 1998, 1999 and 2000 set the stage for an aggressive 2001 program that will continue to improve Michigan's roads and bridges at an unprecedented pace. Motorists and commercial interests already are experiencing the results of a *Build Michigan II* strategy that is fixing the worst roads and bridges first, while substantially increasing the share of long-term fixes. The Governor's fiscal year 2001 budget recommendation totals nearly \$3 billion, over 46 percent of which will be shared with local agencies.

Managing a More Efficient Program

The Department of Transportation has developed management strategies that more effectively target road and bridge repairs to system needs. These strategies

**Administrative Costs as a Percent of
Total Expenditures**



include: publishing a rolling five-year plan of road and bridge construction projects; employing a "mix of fixes" that provides for a balanced program of reconstruction, resurfacing, and capital preventive maintenance; instituting a "corridor approach" that minimizes motorist inconvenience by coordinating construction activity on large-scale projects to the same construction season; and creating a more competitive bid process by having 90 percent of the state construction program out for bid in the first six months of the fiscal year.

*MDOT
reduces
overhead
costs*

System Reforms Are the Next Step

The manner in which motorists and commercial interests are served by Michigan's road network is currently being reviewed. Correctly assigning responsibility, and providing equitable, realistic long-term funding for Michigan's commercial road network is a key to sustaining the state's strong economy. A Transportation Funding Study Committee and Citizens Advisory Committee are assessing the statutory distribution of road funding. The Governor and the Legislature will be reviewing their recommendations in the coming months to identify system reforms and investment strategies that recognize the changing responsibilities for Michigan's transportation infrastructure.

"Fixing Our Roads" Accomplishments

Since 1991, nearly 1,000 miles of Michigan trunklines have been improved per year, doubling previous highway improvement goals. Record construction seasons in 1998 and 1999 have resulted in over \$2.2 billion being invested on the

state highway system alone. Of the 400 high-impact projects completed under the first two years of *Build Michigan II*, 100 percent were completed on or ahead of schedule. This impressive accomplishment included major repair and rebuild projects on 31 miles of I-275 in metro Detroit, the reconstruction of 3.1 miles of I-75 in downtown Detroit, the reconstruction and widening of 4 miles of M-43 in Kalamazoo county, the reconstruction of ramps and roadway at the I-96/M-37/US-131 interchange in Kent county, and the replacement of 14 bridges and decks on US-127 in Lansing. In addition, more than 90 percent of the projects were bid below original engineer estimates allowing the department to accelerate projects slated for construction in their rolling five-year plan.

Fiscal Year 2000 Road & Bridge Program

The department's fiscal year 2000 road and bridge program will invest nearly \$1.37 billion to repair 1,400 miles of road and rehabilitate 230 bridges on the state trunkline system. A key element to achieving the department's goal of bringing 90 percent of state roads and bridges to good condition by 2007 is an increased investment in routine and capital preventive maintenance. Maintenance program support has increased by 20 percent under *Build Michigan II*, with nearly \$300 million invested annually in efforts to extend the pavement life and structural integrity of our existing roads and bridges. In addition, the department will continue to increase the amount of long-term (20+ year) fixes. More than 30 percent of lane miles improved in 2000 will have a fix life of 20 years or more. Key projects slated for construction in 2000 include:

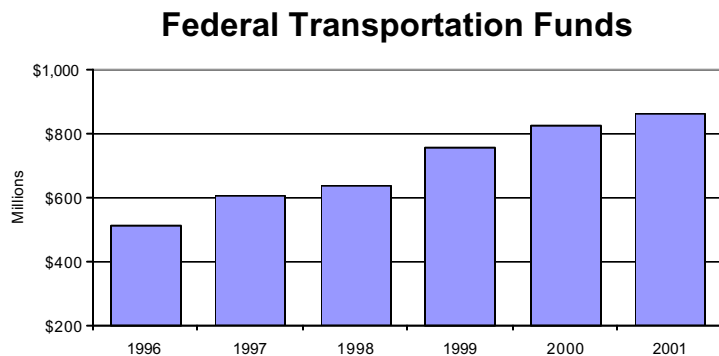
- Rapid reconstruction of the US-131 "S-curve" in downtown Grand Rapids will repair six bridges, and 1.2 miles of roadway in one construction season. Responding to business and motorist needs, the department employed an aggressive bid strategy on this project that takes into account not only the cost of the project, but also the number of days needed to complete the repairs. This innovative approach will allow for completion of this critical project in one year, a full year less than originally anticipated, easing the impact on the downtown commercial district.
- Over \$51 million is being invested to reconstruct the I-94 Dequindre Yard Bridge near the I-75 interchange in Wayne county. This project is the state's largest structural steel project and includes reconstruction of the 27 span bridges, 12 ramps, the Ferry Street bridge over I-75, and the Woodward (M-1) and Rosa Parks Avenue bridges over I-94.
- The interchange of I-75 at US-23 in Genesee county will be widened and upgraded. A critical project designed to address traffic needs at one of the state's 11 "choke points," the three mile project from I-475 to Miller Road, will be completed in one construction season. Minimizing motorist inconvenience is a primary focus on this project and road work has been scheduled to accommodate travelers during peak summer travel months.

*Federal
road funds
to
Michigan
have
increased
69% since
1996*

- The US-131 Cadillac bypass construction continues ahead of schedule with an anticipated early completion date expected in 2000 for the first segment of this new freeway. This first segment begins at the current freeway, just south of Cadillac, and directs traffic east to M-55.
- Four projects on US-27 between Lansing and Mt. Pleasant will improve the pavement and traffic flow on this key north-south gateway. The single most important effort will be the construction of a bridge to carry M-57 traffic over US-27 near Ithaca in Gratiot county.
- In Kent county, work continues on the Grand Rapids South Beltline (M-6). The 20-mile, \$420 million project is underway with five bridges complete and five more bridges slated for construction in 2000.
- A maintenance facility has been established in the City of Detroit to perform year-round maintenance on non-freeway state trunklines within the city limits. The department's presence frees city crews to better serve their business and residential customers located on city streets.

Fiscal Year 2001 Budget Recommendation

The Governor's fiscal year 2001 budget recommendation will continue to



enhance the *Build Michigan II* performance record by focusing investments on road repair and maintenance. The Governor's budget recommendation provides for a \$1.38 billion trunkline program that will support an estimated \$817 million for road repair and rebuild projects, \$160 million for new roads, \$224 million for routine maintenance, and \$185

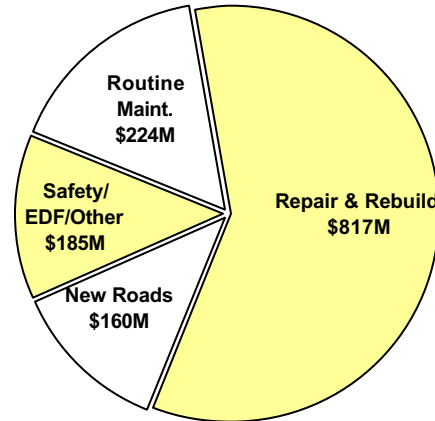
million for safety, economic development, and federally mandated programs. A highlight of the recommendation is that Michigan will receive more than \$150 million in new state and federal revenues provided by *Build Michigan II* and the federal transportation funding package (TEA-21). Michigan's share of federal transportation funds has increased in five years by \$351.5 million, or 69 percent, highlighting the Governor's successful efforts to return our state's share of federal transportation funds.

Fiscal Year 2001 Priority Projects

- Construction of 5.7 miles of roadway for the Grand Rapids South Beltline (M-6) project from I-96 west to M-37 will begin in 2001. This initial segment is scheduled to open to traffic no later than 2002. In addition, construction will begin on the M-6/US-131 interchange, which will include construction of 27 bridges.

- Metropolitan Detroit work will focus on freeway improvements utilizing the “corridor approach” to minimize motorist inconvenience. One key project on I-96 will incorporate the rehabilitation of 49 bridges and nearly 10 miles of roadway between I-275 and US-24 (Telegraph Road).

**State Road & Bridge Program
\$1.38 Billion**



- US-131 Cadillac bypass work continues with the construction of roadway from Boone Road to existing US-131. The second segment of the roadway project will continue to the north of Cadillac and is expected to open to traffic in 2004.
- Relocation of M-45 between Grand Valley State University and 68th Street and construction of a four-lane boulevard between Grand Valley State University and Sand Creek Road will get underway in Ottawa county. This long awaited project is designed to relieve congestion in the greater Grand Rapids area.
- Resurfacing and widening of 14 miles of M-53 in Lapeer county will meet the ever increasing traffic volumes along this primary corridor.
- Construction continues on the new US-131 relocated freeway in Berrien county. The project will complete the segment between Snyder and Napier Roads.

*Funding
for
repairs to
existing
state
roads
exceeds
\$800
million*

Funding for Local Roads and Bridges

Over \$918 million in Michigan Transportation Fund revenues will be distributed to locals through the historic Public Act 51 formula, representing an increase of nearly \$50 million from the prior year. Local road agencies will also receive over \$214 million in federal funds and over \$68 million in state supported revenues earmarked specifically to local projects in the Michigan Transportation Fund through the critical bridge, rail grade crossing, local program, and economic development fund programs. In addition, the Governor’s recommendation includes \$1 million for enhanced engineering and technical support for local agency programs.

Planes, Trains, and Buses Providing Key Transportation Links

The intermodal nature of modern transportation systems requires that Michigan have a core network of air facilities, rail passenger and freight systems, and transit providers in place to effectively move goods and people. The Governor’s fiscal year 2001 recommendation includes over \$29 million in new state and federal

capital funds to support public transportation. The Governor also continues \$3.9 million in support of the Work First initiative – providing transit support to connect people to jobs. Two key capital projects linking Michigan’s commercial networks are the planned intermodal freight facility in Detroit and construction of the new midfield terminal at Wayne County Metropolitan Airport.

Fiscal Year 2000 Supplemental

The Governor’s recommendation includes fiscal year 2000 supplemental support for intermodal transit and rail freight programs, including \$29.1 million available to local transit agencies for bus capital purchases. The Governor’s recommendation also supports \$600,000 for freight preservation and development projects to improve Michigan’s rail freight infrastructure. These programs are supported by \$23.7 million in federal funds and \$6 million in additional comprehensive transportation fund revenues available in the current year.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Increase the percent of state freeway miles in good/fair condition	77.9%	79%	81%	83%
Increase the percent of state non-freeway miles in good/fair condition	72.2%	73%	75%	76%
Increase the percent of bridges in good/fair condition	78.5%	78.4%	78.9%	79%
Reduce the percentage of state highways with congested traffic flow	26%	28%	27%	26%
Increase number of local bus passengers	85.5 million	87.4 million	87.7 million	91.2 million
Increase number of local bus service miles	83.3 million	81.5 million	89.5 million	93.0 million
Increase the percent of primary airport runways in good/fair condition	N/A	N/A	88%	92%

Capital Outlay

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$183,663.3			\$519,255.0	\$277,924.8	\$312,814.6
All Funds	\$296,626.0			\$726,043.8	\$455,560.6	\$471,994.8
	% Change - GF/GP				-46.5%	12.6%
	% Change - All Funds				-37.3%	3.6%

KEY ISSUES	GF/GP	All Funds
State Building Authority Rent	\$27,047.7	\$24,297.7
Lump Sum Special Maintenance for Various State Agencies	\$14,490.9	\$13,990.9
Michigan Department of Transportation Aeronautics Projects	\$6,400.0	\$14,808.0
Michigan Department of Transportation Restricted Fund Projects	\$0.0	(\$1,980.0)
Department of Natural Resources Restricted Fund Projects	\$0.0	(\$10,077.9)
Department of Natural Resources Trust Fund Projects	\$0.0	(\$13,676.9)
Department of Military Affairs Projects, Including Special Maintenance and Armory Rehabilitation	(\$576.2)	\$1,545.0
Mackinac Island State Park Restoration Funding Completed	(\$2,068.0)	(\$2,068.0)
Removal of One-time Funding	(\$10,404.6)	(\$10,404.6)
Subtotal	\$34,889.8	\$16,434.2
FY 2001 Executive Recommendation	\$312,814.6	\$471,994.8

Capital Outlay

The budget for Capital Outlay is already in place for fiscal year 2001. On December 28, 1999, the Governor signed into law Public Act 265 of 1999, outlining capital outlay appropriations for fiscal years 2000 and 2001. This marked the first time that a two-year capital outlay budget was enacted.

The fiscal year 2001 budget for capital outlay totals \$472 million, of which \$312.8 million is general fund. Appropriations include funding for on-going and new initiatives, as well as \$276.9 million for bond payments on projects approved in previous years. The act provides planning authorization for thirteen new projects at Michigan colleges and universities, and allocates significant resources for special maintenance projects at various state agency buildings.

Universities and Community Colleges

The dual-year appropriation act was the first to reflect the improvements to the capital outlay process enacted in P.A. 8 of 1999. Under the new streamlined system, initial planning for capital outlay projects must now be completed by professional architects/engineers, with funding from a college or university's own sources, prior to funding authorization for construction costs.

This act provides authorization for planning of 13 different projects at Michigan colleges and universities in fiscal year 2000. Seven of these projects are on community college campuses: Glen Oaks, Gogebic, Grand Rapids, Henry Ford, Macomb, Schoolcraft, and Washtenaw. Planning was also authorized for projects at five Michigan universities, including Grand Valley State University, Saginaw Valley State University, Oakland University, Western Michigan University, and the University of Michigan - Dearborn. This act also approves planning authorization for the Southwest Regional Education Center to be jointly operated by Western Michigan University and Lake Michigan College. This unique higher education initiative will help support students' matriculation from two-year to four-year higher education programs.

Construction for these projects will be authorized after approval of professional plans and each institution's five-year capital outlay plan by the Department of Management and Budget and the Joint Capital Outlay Subcommittee. Five-year capital outlay plans are a new component of the capital outlay process designed to help state agencies, community colleges, and universities identify and plan for future capital needs.

Construction authorization was granted for two higher education projects which had successfully completed the new planning process; \$15 million was approved for the School of Natural Resources and Environment/Dana Building at the University of Michigan-Ann Arbor, and \$33.4 million was approved for a new Regional Technology Center at Mott Community College.

Over two years, \$224.4 million was allocated for debt service payments on previously approved projects at higher education institutions. This figure accounts for 42.4 percent of the total amount appropriated for debt service on all previous capital outlay projects and illustrates Michigan's commitment to its higher educational system.

With the addition of the 13 new projects included in P.A. 265 of 1999, a total of 52 different capital outlay projects are now underway at Michigan colleges and universities. Current activities include 25 projects at community colleges and 27 at Michigan universities. In the 1990's, over \$2 billion in capital improvements have been initiated at Michigan colleges and universities. These appropriations have maintained the State's significant higher education infrastructure and provided the improvements necessary to ensure the competitiveness of Michigan's educational system.

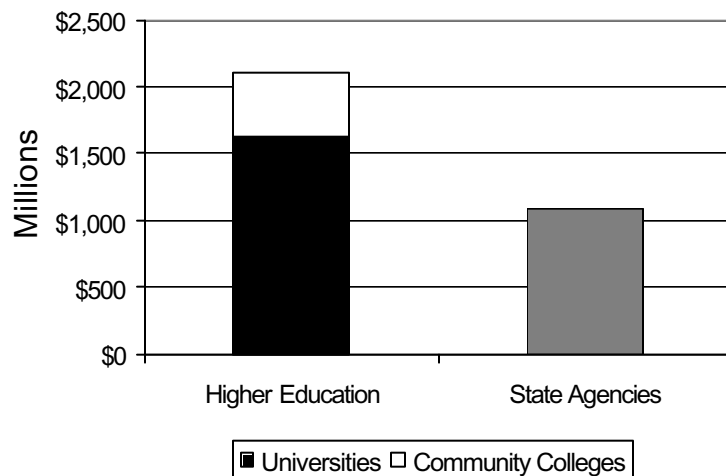
State Agency Projects

The fiscal year 2001 capital outlay budget includes \$25 million, \$18 million general fund, for state agency special maintenance projects. This will fund critical maintenance needs at various state facilities for the departments of Agriculture, Community Health, Corrections, Family Independence Agency, Management and Budget, and State Police.

P.A. 265 of 1999 also provides construction authorization for three state agency projects. Use of fiscal year 1999 general fund balances is authorized to fund \$18.6 million of construction cost increases for the Department of State Police public safety communications system and \$95.1 million is authorized for construction of a new Department of Community Health forensic center in Ypsilanti. In addition, \$45 million in state building authority funding is approved for final design and renovation of the state secondary complex warehouse in Lansing for the creation of new state office space.

This act provides funding from various state restricted sources for the departments of Military Affairs, Natural Resources, and Transportation. Appropriations in this act will support maintenance and repair projects at more than 50 Michigan National Guard Armory and training sites; 96 state park and recreation areas; more than 700 boating access sites statewide; and more than 340 facilities operated by the Department of Transportation, including maintenance equipment garages, rest areas, and regional transportation service centers.

Capital Outlay in the 1990s



Over \$2 billion spent on higher education building projects in the 1990's

P.A. 265 of 1999 also contains \$244.5 million for statewide aeronautics projects. These funds (\$114.8 million in fiscal year 2000 and \$129.7 million in fiscal year 2001) will support numerous airport improvement activities crucial to the state's economic infrastructure, including the on-going expansion of the Midfield Terminal at the Detroit Metropolitan Airport.

Department of Attorney General

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$23,713.0			\$33,187.2	\$32,078.8	\$35,168.1
All Funds	\$32,471.3			\$55,514.6	\$55,132.3	\$60,686.7
	% Change - GF/GP				-3.3%	9.6%
	% Change - All Funds				-0.7%	10.1%

KEY ISSUES	GF/GP	All Funds
Critical Technology Needs Full-Year Costs	\$921.4	\$921.4
Child Abuse and Neglect Caseload (Wayne County)	\$0.0	\$767.2
Investigation and Prosecution of Financial Crimes	\$265.5	\$531.1
Environmental Cost Recovery Caseload	\$0.0	\$254.2
Investigation of Health Care Providers	\$0.0	\$175.3
Economic Adjustments	<u>\$1,902.4</u>	<u>\$2,905.2</u>
Subtotal	\$3,089.3	\$5,554.4
FY 2001 Executive Recommendation	\$35,168.1	\$60,686.7

Department of Attorney General

As the State of Michigan's chief law enforcement officer, the Attorney General upholds and preserves the state's legal interests. To accomplish this, the Attorney General provides legal advice and representation to state officials and agencies and, when warranted, initiates legal action on behalf of the citizens of Michigan.

The Governor's fiscal year 2001 budget recommendation for the Attorney General is \$60.1 million total, of which \$34.6 million is general fund, representing a 9.1 percent increase over fiscal year 2000.

Protection of Assets - Defense of Client Agencies

The Attorney General protects the assets of the people of the State of Michigan by defending lawsuits filed against state departments, boards, commissions, agencies, and their officials. In addition to defending state agencies, the Attorney General also represents legislators and judges who may be sued while acting in their official capacity.

Additional **Generation of Revenue**

resources

will reduce

pending

child

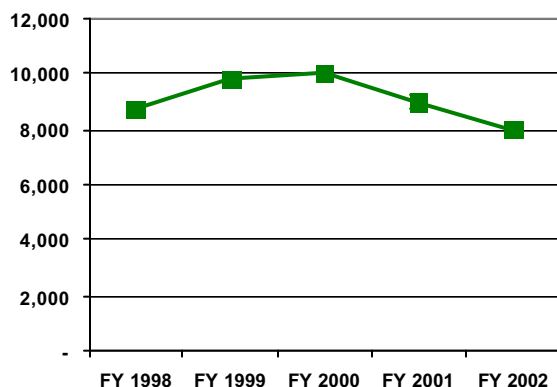
welfare

caseload

The Attorney General pursues civil cases on behalf of the state when the interest of the public is at stake. One example of this is the 1998 negotiated settlement of the multi-state tobacco litigation. Over the next 25 years, Michigan's share of the lawsuit is expected to total over \$8.5 billion. In addition, attorney fees related to the tobacco settlement reimbursed the state's general fund by over \$2 million. In order to ensure that the tobacco companies comply with the provisions of the settlement, enforcement of the settlement will continue to be a priority of the department.

Further, the Attorney General collects more than \$20 million annually from legal actions against individuals and organizations who have harmed the interests of the public. The fiscal year 2001 recommendation adds \$254,200 to the Attorney General budget to increase legal actions against polluters on the behalf of the State of Michigan.

Attorney General Child Welfare Caseload
Cases Pending at Year-End



Protection of Citizens

The Attorney General also serves as legal counsel for client agencies and initiates lawsuits to protect the public interest of Michigan citizens. The budget recommendation includes an additional \$767,200 for the Attorney General Child Abuse Unit in Wayne County to ensure the safety of children who have been abused or neglected by their parents or guardians. The

budget recommendation also includes an increase of \$265,600 in federal Byrne grant funds and \$265,500 in general fund support to investigate and prosecute sophisticated financial crimes, such as money laundering.

Increasing the Efficiency of Legal Operations Through Technology

To enhance the efficiency of the Attorney General's legal staff, the department is in the process of upgrading all systems department-wide including the refinement of a computerized legal research system. Over \$900,000 is included in the fiscal year 2001 budget recommendation to support improved technology.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Maintain or reduce court judgments or settlements paid as a percentage of total settlements sought by plaintiffs				
– Corrections	0.2%	0.9%	<1.0%	<1.0%
– Community Health	12%	3%	<10%	<10%
– Tort Defense	35%	24%	<35%	<35%
Maintain or increase percentage of child welfare recommendations upheld by court:				
– Wayne County Family Court	99.9%	97.5%	>95%	>95%
– Michigan Court of Appeals	99.3%	98.6%	>90%	>90%
– Michigan Supreme Court	100%	100%	>67%	>67%
Maintain or increase the amount of revenue collected as a result of lawsuits filed on behalf of the state	\$22.1 Million	\$22.6 Million	\$23 Million	\$23.5 Million

(Amounts In Thousands)

	FY90			FY99	FY00	FY01
GF/GP	\$12,110.9			\$12,504.8	\$12,989.3	\$14,338.5
All Funds	\$13,402.9			\$14,104.8	\$14,623.3	\$15,272.5
		% Change - GF/GP			3.9%	10.4%
		% Change - All Funds			3.7%	4.4%

CIVIL RIGHTS
J-5

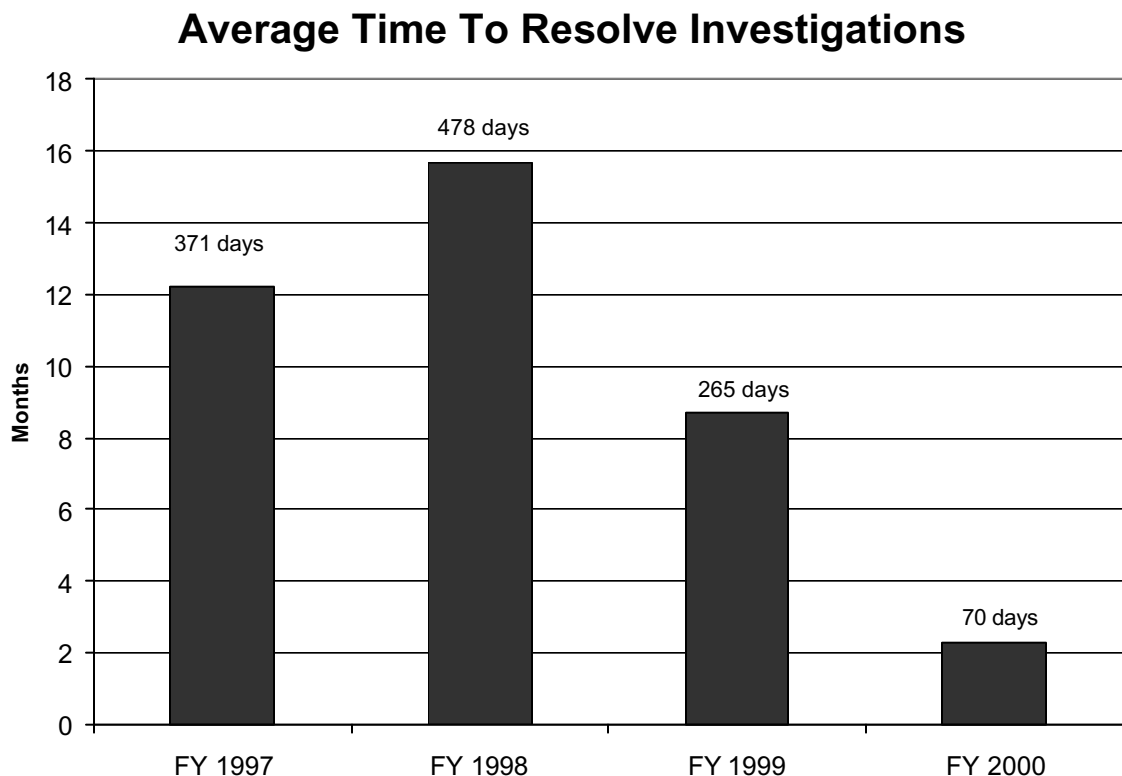
Department of Civil Rights

The fiscal year 2001 budget recommendation for the Department of Civil Rights supports the efforts of the department to protect the civil rights of Michigan citizens. Funding for the fiscal year 2001 is recommended at \$15.3 million total, of which \$14.3 million is general fund. The 2001 budget reflects a general fund increase of \$700,000 to accommodate an equal loss in Federal Equal Employment Opportunity Commission funding. The Governor also recommends a fiscal year 2000 supplemental appropriation of \$750,000 for the same purpose.

The Department of Civil Rights is committed to both prevention and resolution of discrimination complaints. During the past five years, the department has concentrated on improving its delivery of quality customer service. Specific initiatives include educational programs that promote voluntary compliance with civil rights laws and efforts to expedite complaint investigations.

New approaches to problem resolution have reduced the time needed to review and resolve complaints. As a result, back-logged cases have been reduced over the past two years from 4,300 to 100 and are expected to reach zero in fiscal year 2001. The department has implemented new standards for complaint investigations. All concerns are now addressed in a reasonable time frame: 14 days for an early resolution attempt and 84 days for full investigations.

*Civil
Rights
complaints
are
resolved
faster*



Program Outcomes	FY1998	FY1999	FY2000	FY2001
Eliminate the number of backlogged cases	2,500	1,000	100	0
Prevent discrimination by increasing the number of education and outreach conferences, workshops and seminars for businesses and communities	152	417	450	480
Increase the number of civil rights complaints that are resolved informally	N/A	2,200	2,200	2,400
Resolve civil rights investigations at a quicker rate	478 days	265 days	70 days	70 days

(Amounts In Thousands)

	<u>FY90</u>			<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
GF/GP	\$13,479.0			\$19,659.4	\$10,797.2	\$11,218.9
All Funds	\$18,686.6			\$34,290.3	\$28,585.5	\$30,405.6
		% Change - GF/GP			-45.1%	3.9%
		% Change - All Funds			-16.6%	6.4%

CIVIL SERVICE

Department of Civil Service

The Department of Civil Service maintains and operates the state's personnel resource system. The department also provides customized services to each state agency to help develop and maintain the work force necessary to perform the diverse responsibilities of state government. Its services include, but are not limited to, administering examinations to qualify candidates for government jobs, classifying positions, and training state employees in a variety of areas.

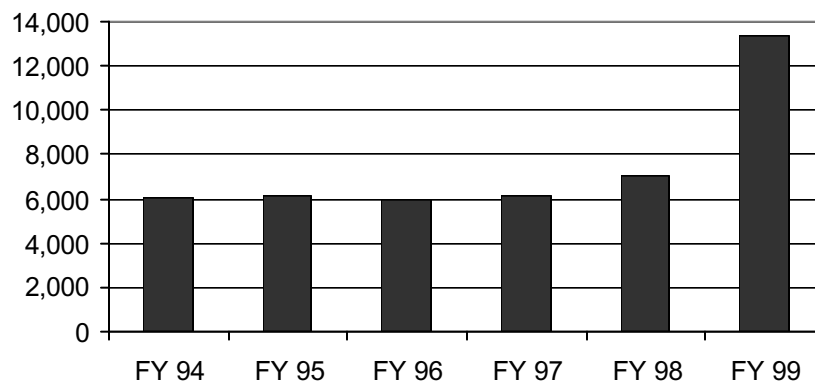
The hiring process has been simplified as the department continues to move forward with electronic submission and evaluation of applications. The Human Resources Management Network (HRMN), established to provide an integrated system for delivering payroll, personnel, and employee benefits, is scheduled for implementation in late 2000. The implementation will result in streamlined business processes, better information for customers, reduced costs, improved services, and the flexibility to manage Michigan's work force in the present and the future.

Fiscal Year 2001 Recommendation

The fiscal year 2001 budget recommendation for the Department of Civil Service increases funding for critical personnel services. Overall funding for fiscal year 2001 is recommended at \$30.4 million gross, of which \$11.2 million is general fund. In addition, the budget includes an increase of \$1 million in restricted revenue for state employee training programs. Training requests have almost doubled as state agencies continue to focus on employee development.

*Dramatic
increases
in
training
for state
employees*

**Number Attending
Civil Service Training**



Fiscal Year 2000 Supplemental

A fiscal year 2000 supplemental of \$1.2 million general fund is recommended for the Department of Civil Service. This provides funding to complete the planned installation of the human resource system.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Increase the percent of qualified workforce appointments made within one month: <ul style="list-style-type: none"> • 30 days or less • 31 to 60 days • 61 or more days 	13% 55% 30%	79% 11% 10%	85% 8% 7%	90% 5% 5%
Increase hiring managers' satisfaction with the quality of candidates	75%	85%	90%	95%

(Amounts In Thousands)

	FY90			FY99	FY00	FY01
GF/GP	\$3,943.1			\$5,117.3	\$5,425.1	\$5,679.6
All Funds	\$3,943.1			\$5,117.3	\$5,425.1	\$5,679.6
		% Change - GF/GP			6.0%	4.7%
		% Change - All Funds			6.0%	4.7%

KEY ISSUES	GF/GP	All Funds
Economic Adjustments	\$254.5	\$254.5
Subtotal	\$254.5	\$254.5
FY 2001 Executive Recommendation	\$5,679.6	\$5,679.6

Executive Office

The Executive Office is the office of the Governor. The budget provides funding support for immediate staff who assist the Governor in executing his constitutional responsibilities as chief executive of the eighth largest state in the United States. The Executive Budget also includes funding for the Lieutenant Governor's office. The Lieutenant Governor performs gubernatorial functions in the Governor's absence, presides over the Senate, serves on the State Administrative Board and represents the Governor at selected local, state and national meetings. The Office of the Governor is located in the State Capitol in Lansing.

The fiscal year 2001 Executive Budget recommendation reflects a continuation budget for the Executive Office, with total funding of \$5.7 million.

Serving the Citizens of the State

The Governor's Constituent Services Office receives between 500 and 1,000 citizen inquiries or requests each day. The methods used for contacting the Governor vary. Annually about 75,000 people make contact through telephone or send electronic mail, whereas approximately 135,000 citizens contact the Governor through written correspondence. The Constituent Services Office strives to respond to all constituent inquiries in a timely manner.

Improving Services and Accessibility

The Governor recognizes the vital role that citizens play in the decision-making process of state government. Easy access to decision makers is a key component to a well-informed public. For that reason, the Executive Office has worked to make state government more accessible. A state Web site, "Michigan State Government" (<http://www.migov.state.mi.us>) has been established with information on all the branches of state government: executive, legislative and judicial, including the status of pending legislation, House and Senate journals and calendars, and links to the Governor's office, the Lieutenant Governor's office, each legislator and other state agencies.

Technology is rapidly transforming the way in which citizens access information. Consequently, every state agency has an internet presence that serves as a clearinghouse of public information relating to its core mission. Through this venue, a number of agencies provide citizens and businesses on-line access to departmental staff and services, particularly in licensing and regulatory areas.

The Office of Regulatory Reform created an Internet Web page to provide citizens with 24-hour access to information on the administrative rules process. In addition, Michigan was the first state in the nation to make its entire Administrative Code available to the public on one Web site (<http://www.migov.state.mi.us/rules/orr>).

Legislature

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$85,915.9			\$104,545.0	\$114,234.2	\$117,913.6
All Funds	\$88,187.6			\$107,807.7	\$117,496.9	\$121,231.6
	% Change - GF/GP				9.3%	3.2%
	% Change - All Funds				9.0%	3.2%

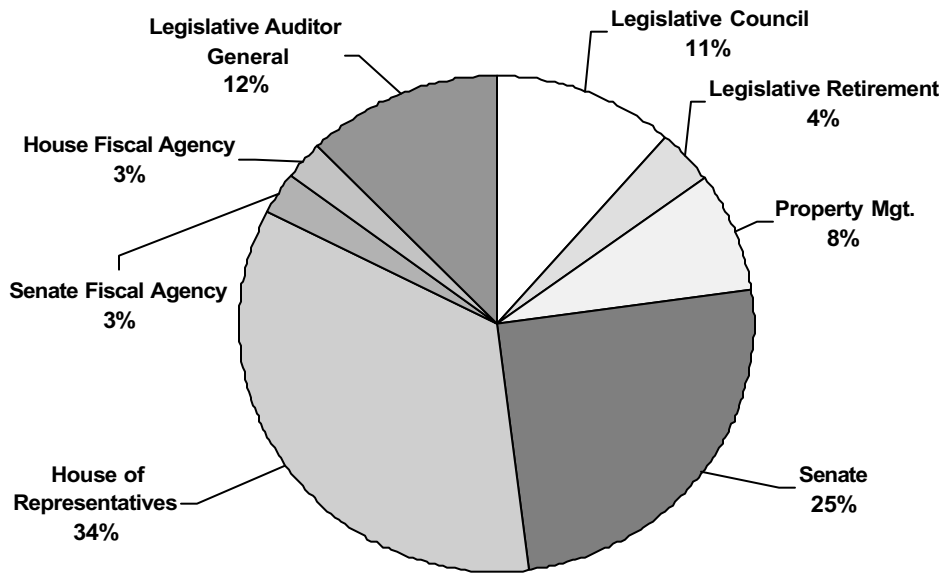
KEY ISSUES	GF/GP	All Funds
Legislative Office Buildings Operational Costs	\$279.6	\$279.6
House Automated Processing Increase	\$69.3	\$69.3
Training Increase for Legislative Auditor General	\$19.7	\$19.7
Economic Adjustments	<u>\$3,310.8</u>	<u>\$3,366.1</u>
Subtotal	\$3,679.4	\$3,734.7
FY 2001 Executive Recommendation	\$117,913.6	\$121,231.6

Legislature

The Michigan Constitution vests the state's lawmaking power in a two-house Legislature consisting of a 38-member Senate and a 110-member House of Representatives. Senators are elected for four-year terms and Representatives

are elected for two-year terms. In 1992, Michigan voters supported a ballot proposal to limit the number of terms legislators can hold political office. Representatives are now limited to three two-year terms and Senators are limited to two four-year terms. The Legislature is a sovereign and independent branch of state government with the authority to enact laws by which the actions of the government and the people are regulated and protected.

Fiscal Year 2001 Spending by Category



*The
budget for
the
Legislature
funds
elected
officials
and their
staff*

The fiscal year 2001 recommended budget for the state Legislature is \$121.2 million, of which \$117.9 million is general fund.

The Legislative budget includes funding to support members of the Michigan Senate, Michigan House of Representatives and House and Senate support staff. Funding is also provided for the Senate Fiscal Agency, House Fiscal Agency, Legislative Council, Legislative Service Bureau, House and Senate Clerks, Legislative Auditor General, and the Legislative Corrections Ombudsman Office.

Providing a Window to State Government

Citizens can play an important role in the decision-making process of state government. Easy access to decision makers is a key component to a well-informed public. For that reason, a Web site has been developed (<http://michiganlegislature.org>) with valuable information on legislative activities including information on pending legislation, House and Senate Journals and calendars and bill status. There are also links to each legislator, the Governor's office and other state agencies.

Michigan Government Television (MGTV) provides access to state government with CNN-style programming. To ensure balance, the programming is equally divided between Executive, Legislative and Judicial branches and is available on most cable stations across the state.

Legislative Auditor General

The recommended fiscal year 2001 budget for the Legislative Auditor General totals \$14.9 million. The Auditor General performs fiscal and program audits for state departments and agencies, as well as audit reviews for local school districts, community colleges and universities, the Judiciary, and the Legislature. These audit reports help assure Michigan citizens that state revenues and expenditures are in accordance with the State Constitution, laws, rules and procedures, and that state programs are effective and efficient. The Auditor General reports can be accessed through the Auditor General Web site (<http://www.state.mi.us/audgen>).

(Amounts In Thousands)

	<u>FY90</u>			<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
GF/GP	\$26,497.9			\$32,977.4	\$34,258.1	\$34,714.9
All Funds	\$30,430.7			\$37,249.1	\$38,977.4	\$39,434.2
		% Change - GF/GP			3.9%	1.3%
		% Change - All Funds			4.6%	1.2%

[illegible]

Library of Michigan

The Library of Michigan, located in downtown Lansing, is the fourth largest state library in the nation, maintaining a collection of more than three million books, including an even greater number of state and federal government publications. In addition to serving all the citizens of Michigan, the Library serves as the primary reference source for the Legislature and state agencies. It responds to more than 90,000 queries and requests each year and circulates nearly 600,000 items annually.

Funding for fiscal year 2001 is recommended at \$39.4 million total, \$34.7 million is general fund. The budget continues full funding of state aid to Michigan libraries. It also reflects increases of \$50,000 for subregional state aid for library services provided to Michigan citizens who are blind or physically handicapped, \$21,900 for technology-related costs and \$18,500 for the distribution of reading materials to the underprivileged in all 83 Michigan counties.

Services Available to the Public

- The Michigan Electronic Library (<http://mel.lib.mi.us>) is an online information system that provides Michigan residents with free access to more than 26,000 Web sites. The “virtual library” is selected and evaluated by librarians and is designed to be a comprehensive electronic information tool.
- Access Michigan (<http://www.accessmichigan.lib.mi.us>), an online statewide database access project, provides Michigan residents with free access to a compilation of more than 70 commercial databases, more than 2,000 full text magazines and newspaper articles and 3,000 other magazines and journal titles with citations and abstracts. The project is available through local area libraries and is funded by state and federal dollars.
- The State Law Library, located in the G. Mennen Williams Building, provides legal research services for state and legislative employees. The State Law Library is also open to the public.
- The Library for the Blind and Physically Handicapped at the Library of Michigan provides library materials to citizens who cannot read or are unable to hold a book. The state’s only Braille library is available to the public and the collection of titles can also be accessed by the Internet.
- The Library of Michigan has one of the top 10 genealogy collections in the United States. More than 100,000 annual users frequent the family history records to research their ancestry.

- The Library of Michigan also reviews and approves the technology plans of Michigan's libraries for the Universal Service Fund (USF). This effort assisted Michigan libraries and schools in receiving \$65.7 million in USF discounts during fiscal year 1999.

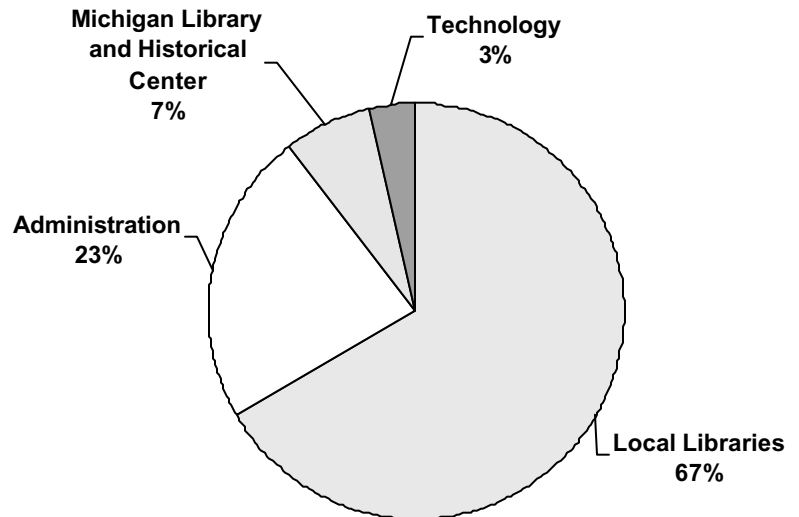
Assisting Local Libraries

Over \$26 million (two-thirds) of the fiscal year 2001 Library budget is allocated to support local library services. The Library of Michigan distributes more than \$21.2 million in state aid to Michigan public and cooperative libraries. Additional funding from the Library Services and Technology Act (LSTA) federal grant program brings in more than \$4.5 million in federal funds to Michigan. All types of libraries are eligible to submit sub-grant applications to support library services and technology based projects.

Federally funded projects include Access Michigan, new technology for libraries, and improved services for children and individuals having difficulty using a library. Library of Michigan staff also provide a series of workshops to train librarians and library trustees in areas such as grant writing, legal issues, financial management and technology-related issues.

To provide residents with access to the internet, Library of Michigan has created 200 Internet centers in small libraries across the state. To maximize their use, support is provided for 15 internet training centers, where librarians, teachers and the general public can learn more about this new technology.

Fiscal Year 2001 Spending by Category



67% of the Library of Michigan's budget supports local libraries

Department of Management and Budget

(Amounts In Thousands)

Funding History*

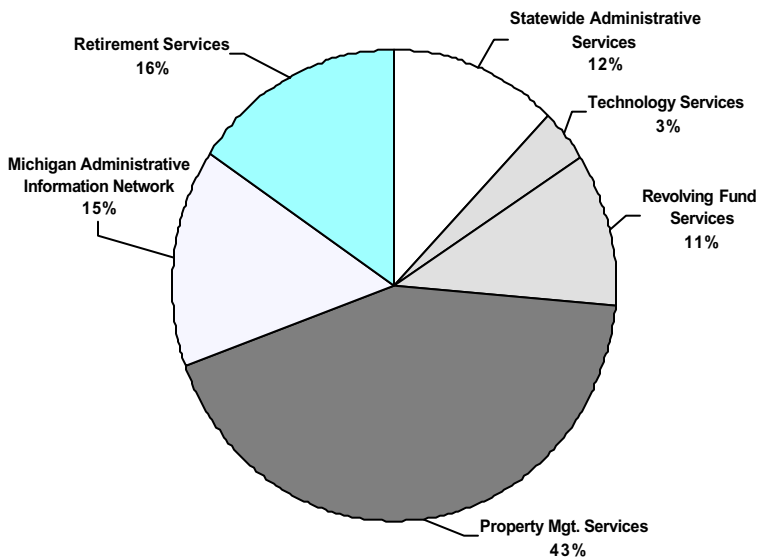
	FY90			FY99	FY00	FY01
GF/GP	\$32,160.9			\$58,335.5	\$45,495.3	\$46,960.8
All Funds	\$109,600.8			\$150,070.5	\$140,921.7	\$163,529.8
	% Change - GF/GP				-22.0%	3.2%
	% Change - All Funds				-6.1%	16.0%

KEY ISSUES	GF/GP	All Funds
Property Services Adjustment	\$135.7	\$18,963.7
Judges Retirement System Costs	\$0.0	\$510.0
Health Insurance Reserve Fund Net Transfer from Treasury	\$412.2	\$412.2
Electronic Records Management Initiative	\$116.9	\$116.9
Economic Adjustments	<u>\$800.7</u>	<u>\$2,605.3</u>
Subtotal	\$1,465.5	\$22,608.1
*Adjusted to reflect program transfers		
FY 2001 Executive Recommendation	\$46,960.8	\$163,529.8

Department of Management and Budget

The Department of Management and Budget was established in 1948 to provide basic support services required for the operation of a diverse state government. These services have evolved to meet the changing needs of state agencies, with increasing emphasis on the use of technology to improve state services.

Fiscal Year 2001 Spending by Category



The Department of Management and Budget supports the business operations of state agencies through a variety of services. These services include building management and maintenance, centralized contracting and purchasing programs, space planning and leasing, voice and data communication, centralized information processing, construction management - including planning and design, management of the state motor vehicle fleet and management of the state's retirement systems.

The total recommended budget is \$163.5 million, of which \$46.9 million is general fund.

*DMB
provides
statewide
support
services*

Within the organizational structure of the department, there are three separate autonomous agencies with unique missions: Office of the State Budget, the Office of the State Employer and the Office of Children's Ombudsman.

Office of the State Budget

The State Budget Director serves as the Governor's primary advisor on fiscal matters. The Office of the State Budget is responsible for coordinating all Executive Budget activities including development of the Executive Budget recommendation, presentation of the budget to the Legislature and implementation of the budget after enactment. The State Budget Director also oversees the state's accounting and payroll functions, the state's financial management system, geographic information systems development, data mapping and demographic data functions.

Office of the State Employer

The Office of the State Employer (OSE) was created by Executive Order 1988-6. OSE oversees all collective bargaining negotiations and formulates, executes, and administers labor relations policies for state classified employees. OSE also administers the employee and retiree group insurance plans, health screening for

employees and pension recipients, the Disability Management Program, the Health Awareness Program, the Employee Services Program, the Quality Recognition Program and the Office of Performance Excellence.

Office of Children's Ombudsman

The Office of Children's Ombudsman was created by Public Act 204 of 1994 as an autonomous entity. The Ombudsman is appointed by and serves at the pleasure of the Governor. The Office of Children's Ombudsman monitors compliance with relevant statutes, rules, and policies pertaining to children's protective services and the placement, supervision, and treatment of children in foster care and adoptive homes.

Service Improvements

By appropriate use of technology, the department has saved taxpayer money, improved customer service, and created opportunities for additional service enhancements. Recent highlights and improvements include:

- The Michigan Information Center has successfully developed a standard geographic information system (GIS) base map for state government and several local units of government. The base map allows cross agency analysis to be conducted in a timely, cost-efficient manner and supports the Qualified Voter File. In cooperation with the Governor's Office, House and Senate Republican and Democratic caucuses, and the Secretary of State, the Michigan Information Center is also developing a common database for 2001 congressional and legislative redistricting.
- The Office of Purchasing was nominated by the Michigan Minority Business Development Council for the 'Corporation of the Year Award 1999'. The office has several programs directed at educating minority, women, small, and handicapped owned businesses on how to conduct business with the State of Michigan.
- An additional \$116,900 is recommended in fiscal year 2001 to upgrade the existing Automated Records Management System in the State's Record Center. This funding will be used to improve the technology for managing the Record Center and will provide for the development of educational training programs to improve State agency awareness and understanding of electronic records management. In addition, the department will establish information technology standards on the creation, retention, and disposal of reports and forms in order to reduce duplication of effort among state agencies.
- The department's Year 2000 Project Office, under the direction of the state's Chief Information Officer, successfully led the remediation efforts of the state's computer systems, software, and equipment. As a result of coordinated planning, hard work and dedication from all state agencies, the State of Michigan did not experience any major Y2K-related disruptions.

- To help improve functionality among state agencies and create a user friendly environment for its customers, the department recently developed an overall space plan designed to met the current needs of state agencies. Full implementation of the space plan will consolidate leased space, provide better cost control, and improve operational efficiencies through co-location of state services. The department will directly manage more of the office space and leases in the tri-county Lansing area. The DMB Property Services budget is increased by over \$18 million to reflect a significant shift in how departments pay for space. Agencies will no longer pay for individual leases through line items in agency budgets. Instead, agencies will reimburse DMB for rent charges.

Fiscal Year 2000 Supplemental

Fiscal year 2000 supplemental funding of \$23.2 million is recommended for the implementation of *e-Michigan*, which will provide state services to citizens via a common Internet entryway into state government. Potential applications include electronic access to state government data, reports and information, campsite reservations, vehicle license tab renewal, tax return preparation and filing, and professional and occupational license application and renewal. This initiative will provide citizens with a “one-stop shopping ” format for many government services. Citizens will not need to visit multiple state agencies to purchase a fishing license, register their vehicles or obtain information on immunization schedules. The *e-Michigan* initiative will offer quicker and easier access to governmental services and information.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
In order to improve state government fiscal integrity, complete fiscal year with a positive balance in accord with Generally Accepted Accounting Principles.	Accomplished	Accomplished	Will Accomplish	Will Accomplish
In order to improve customer service, increase the percent of vendor/payee registrations processed within 3 days of receipt.	94%	95%	96%	97%
In order to maximize statewide productivity, ensure central data center systems and networks are available 99% of the time.	99%	99%	99%	99%
In order to improve the utility of the state's financial reports, issue the Comprehensive Annual Financial Report earlier, while maintaining audit standards.	2/27/99	2/15/00	2/11/01	2/9/02
In order to support business operations, ensure that the state buildings are open and operational 99% of the time.	99%	99%	99%	99%
In order to support business operations, complete customer service work requests for building maintenance within 72 hours.	N/A	N/A	80%	95%
In order to improve customer service to retirees, increase the percentage of retirees issued first retirement check within 60 days.	N/A	88%	90%	90%

Department of State

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$15,954.1			\$67,974.4	\$60,089.0	\$64,506.4
All Funds	\$117,337.2			\$175,650.3	\$181,515.3	\$187,725.2
	% Change - GF/GP				-11.6%	7.4%
	% Change - All Funds				3.3%	3.4%

KEY ISSUES	GF/GP	All Funds
Specialty License Plate Program Expansion	\$0.0	\$2,000.0
Elections Electronic Disclosure System	\$750.0	\$750.0
Social Security Number Collection Administrative Costs	\$606.7	\$126.2
Information Technology Rearchitecture	\$500.0	\$2,000.0
Michigan Historical Commission	\$500.0	\$500.0
Increased Operating Costs	\$488.8	\$982.2
Qualified Voter File Help Desk	\$208.4	\$208.4
Commemorative License Plates-MTF Funding Lapse	\$0.0	(\$6,500.0)
Motor Vehicle Accident Claims Fund Switch	(\$1,200.0)	\$0.0
Economic Adjustments	<u>\$2,563.5</u>	<u>\$6,143.1</u>
Subtotal	\$4,417.4	\$6,209.9
FY 2001 Executive Recommendation	\$64,506.4	\$187,725.2

Department of State

The fiscal year 2001 Executive Budget recommendation for the Department of State provides funding for the continuation of the department's customer service initiatives. Departmental services include licensing of drivers and the registration and titling of vehicles, the regulation of automobile dealers and repair facilities, the registration of voters and administration of the state's elections, and the preservation of Michigan's history. While basic services have remained the same, technological advancements have enabled the department to deliver these services in a more efficient and effective manner. Improvements implemented over the past few years have prepared the department for the challenges of the 21st century. Funding for fiscal year 2001 is recommended at \$187.7 million, of which \$64.5 million is general fund.

Current Year Accomplishments

SMART LINK Effective planning has allowed the department to upgrade their computer systems and implement imaging technology. Most recently the department has unveiled the latest customer service initiative: SMART LINK (State of Michigan Automated Response Terminal Licensing and Information Network Kiosk). Similar to an ATM machine, SMART LINK uses a touch-screen to allow customers to navigate through the easy-to-use menus to access information and conduct business with the department. Introduced at the 2000 North American International Auto Show in Detroit, this program will be piloted in metropolitan Detroit-area retail locations.

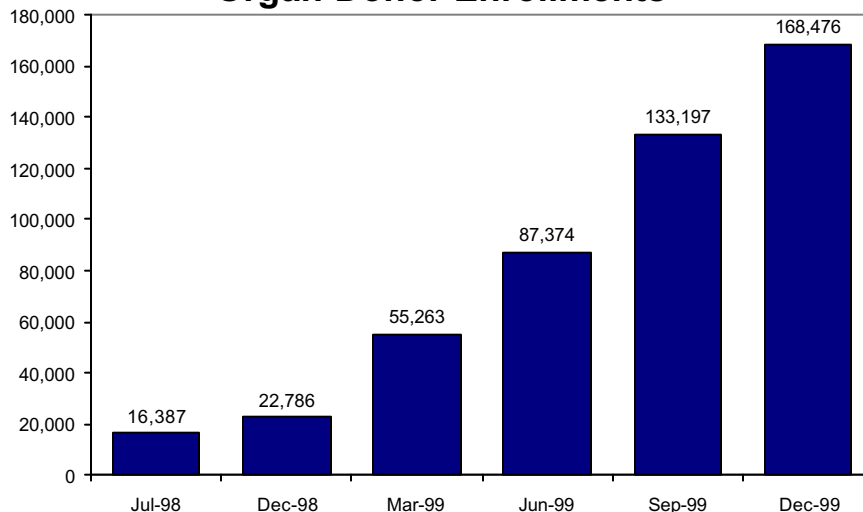
*Organ
donor*

*registration
can save
lives*

Organ Donors The Department of State's Organ and Tissue Donor Registration enrollment card program has added 150,000 names to the Gift of Life Registry since the program began in August 1998. Before the program began there were fewer than 17,000 names on the Gift of Life Registry. The agency's next milestone is to enroll 500,000 names. The registry is a statewide, computerized database of

people who have indicated their wish to be a donor. Every new driver license and identification card that is mailed by the department comes with a pre-printed enrollment card that, once completed, is forwarded to the Gift of Life Agency. The Governor's budget continues funding for this program that provides critical support to the 2,300 people waiting for an organ transplant in Michigan.

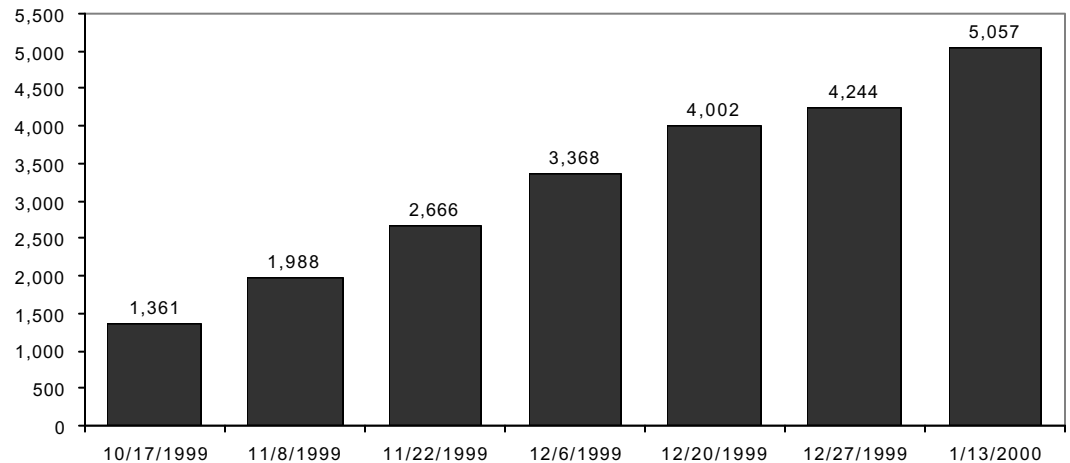
Organ Donor Enrollments



Repeat Offenders The Repeat Offender Program, designed to remove drunk drivers and drivers with suspended licenses from Michigan roads, began in October 1999. In three months, the Department of State has confiscated over 5,000 license plates. Although Michigan has nearly 7 million licensed drivers, only 1 to 2 percent have a driving history that could make them subject to these new laws.

Repeat offenders are drivers with two or more alcohol-related convictions within seven years, three or more convictions for driving while suspended or revoked in seven years, or drivers with three or more alcohol-related convictions within ten years.

Repeat Offender Cumulative License Plate Confiscations



Fiscal Year 2001 Recommendation

The fiscal year 2001 budget includes \$2.0 million for Specialty License Plates to allow citizens the opportunity to purchase a license plate with a logo from their favorite public university or other charitable cause. It is anticipated that university plates will be available for the state's 15 public universities and that charitable plates will be available for citizens to make donations to such causes as the environment, lighthouse preservation, wildlife habitat and child abuse prevention. The budget also includes a reduction of \$6.5 million in the Commemorative License Plate line item, reducing the transfer from the Michigan Transportation Fund.

*Repeat
offender
laws are
working*

The recommendation also includes \$750,000 for an Elections Electronic Disclosure System to allow for more timely availability of information. The system will allow candidates to electronically file their campaign finance reports. Electronic filing is considered a necessary tool for full, accurate and timely disclosure under campaign finance reform.

In the Bureau of Elections, the fiscal year 2001 recommendation includes \$208,400 in full-year funding to assist local voter jurisdictions in administering the qualified voter file and election law. Jurisdictions using the qualified voter file have required assistance with the application and operation of the changing technology related to election legislation. These resources will be used to fund the ongoing operation of a qualified voter file help desk.

Because of the age of the current computer systems, the department has been unable to take advantage of the newer technologies to enhance their data

management operations. The fiscal year 2001 recommendation includes \$2.0 million, \$500,000 general fund, to address system improvements that will assure department-wide uniformity and utility.

In the Historical Program, the fiscal year 2001 recommendation includes \$500,000 to launch an initiative to promote the Michigan Historical Museum system. Similar to the “Great STATE, Great PARKS, Great HISTORY” initiative unveiled in 1999 in the Department of Natural Resources, this program will distribute educational materials that support the Michigan curriculum framework and bolster the overall effort to increase appreciation of our state’s history.

Fiscal Year 2000 Supplemental

The Department of State continues the replacement of the old computer system in the branch offices with a mainstream industry standard system; the fiscal year 2000 supplemental recommendation of \$395,200 will allow completion of this conversion. To ensure uninterrupted service to the citizens of Michigan and to assist in processing between 60,000 and 70,000 daily transactions, department staff will now have access to e-mail, scheduling, and agency intranet capabilities.

The fiscal year 2000 supplemental recommendation also includes \$300,000 in the historical program to prepare Michigan artifact collections for better public access and to plan for a move to a new storage facility.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Increase customer use of technology for conducting business with Secretary of State (annual increase over prior year)				
Touch tone telephone registration	Implement	+ 5%	+ 5%	+ 5%
Mobile office	Implement	+ 5%	+ 5%	+ 5%
Internet registrations	Implement	+ 3%	+ 10%	+ 10%
Kiosk-based system	N/A	N/A	Pilot	Implement
Increase customer access to Michigan history resources (annual increase over prior year)				
Museum visitors	+ 5%	+ 5%	+ 5%	+ 5%
Web site "hits"	+ 7%	+ 10%	+ 9%	+ 8%
Maintain a centralized, electronic file of registered voters	Complete roll-out phases	Pilot use in 1999 elections	Use in 2000 elections	Monitor program
Reduce number of repeat offenders on Michigan roads through license plate confiscations	N/A	Begin implementation	17,000	25,000
Increase the number of organ donors on the Gift of Life Registry	16,387	133,197	250,000	375,000

Department of Treasury

(Amounts In Thousands)

Funding History

	FY90			FY99	FY00	FY01
GF/GP	\$101,606.4			\$167,450.5	\$164,647.0	\$161,105.7
All Funds	\$1,329,189.7			\$1,788,395.5	\$1,877,371.9	\$2,013,479.8
	% Change - GF/GP				-1.7%	-2.2%
	% Change - All Funds				5.0%	7.2%

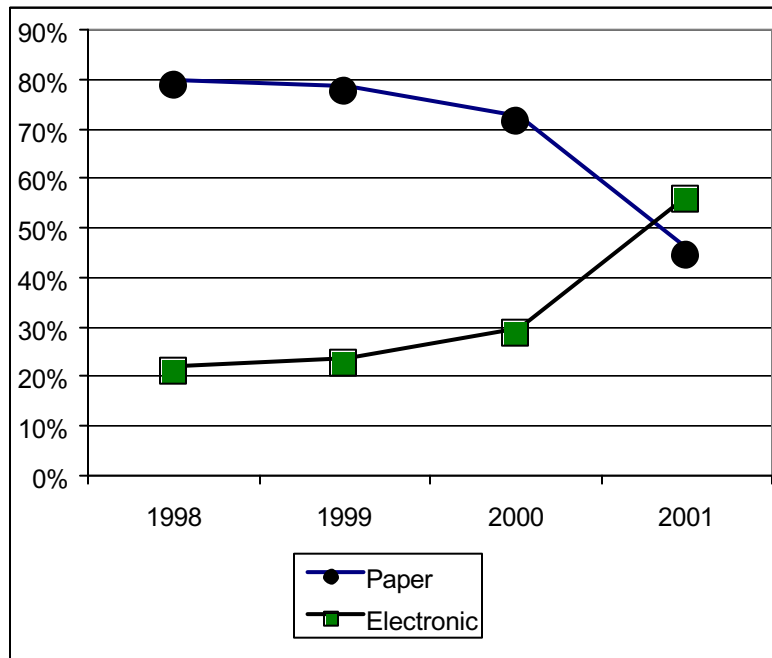
KEY ISSUES

	GF/GP	All Funds
Revenue Sharing Payments	\$0.0	\$96,611.9
Lt. Governor's Commission on Financing Postsecondary Education	\$0.0	\$16,700.0
Delinquent Property Tax Administration Funding Change	\$2,381.3	\$0.0
Sales/Use Tax Multi-State Cooperative Initiative	\$1,800.0	\$1,800.0
Cigarette Stamp Tax Base Adjustment	\$1,100.0	\$1,100.0
Emergency Telephone District Implementation	\$0.0	\$16,000.0
Casino Gaming Operations Full-Year Costs	\$0.0	\$5,623.5
Convention Facility Grant Adjustment	\$0.0	\$4,000.0
Unclaimed Property Program Technical Adjustment	\$0.0	\$3,000.0
MEAP Test Administration and Funding Shift	(\$1,628.4)	\$1,800.0
Transfer Administration of Tuition Incentive Program (TIP) from FIA	\$0.0	\$363.4
Special Census Revenue Sharing Requirements	(\$6,500.0)	(\$6,500.0)
Debt Service Reductions	(\$2,547.0)	(\$2,547.0)
Unavailable Federal Student Financial Aid Revenues	\$0.0	(\$6,000.0)
Other Adjustments	(\$589.2)	(\$2,331.3)
Economic Adjustments	<u>\$2,442.0</u>	<u>\$6,487.4</u>
Subtotal	(\$3,541.3)	\$136,107.9
FY 2001 Executive Recommendation	\$161,105.7	\$2,013,479.8

Department of Treasury

The Governor's fiscal year 2001 budget recommendation of \$1.9 billion provides the department the ability to meet its major responsibilities of collecting state taxes; investing, controlling and dispersing state monies; protecting the state's credit rating and managing one of the nation's largest pension funds. In addition, the department administers the revenue sharing and student financial aid programs.

*Electronic
tax
return
filing on
the rise*



Filing taxes in Michigan and receiving a tax refund is quicker and easier, primarily because of the department's efforts to automate tax filing. In addition, taxpayers have more flexibility than ever before including electronic filing (e-file), direct deposit, automated telephone help lines, and downloading tax forms from the Internet

or receiving forms by fax. Direct deposit means shorter processing time for income tax returns, greater security for the taxpayer, and the convenience of not having to make a separate trip to the bank to deposit a check. Electronic filing includes an on-line error corrections system that reduces the possibility of taxpayer error and shortens the waiting period for refunds. Taxpayers using e-file are one-third less likely to have their refunds delayed due to taxpayer error. Submitting an error-free, electronically-filed return gives taxpayers their refunds within seven days. Continuing technology changes and process improvements will enable the department to streamline and enhance its services to the taxpayers.

Improving Processes

Technology Investment Plan To better manage a tax system that collects an estimated \$18 billion in revenue and processes \$16 billion in tax expenditures, the fiscal year 2001 recommendation includes \$5 million for a Technology Investment Plan. A multi-year investment in this plan will improve customer service and increase tax collections. As an initial step, a business process re-engineering initiative will be completed this spring. At that time, a business plan will be established and future plan requirements and recommendations will be identified.

Use Tax (Remote Sales Tax) Collection Increasing awareness of the state's use tax, commonly referred to as the "remote sales tax," has been a major initiative for the department. Beginning with Michigan's 1999 Income Tax form, an additional line has been added to make reporting of the remote sales tax easier and more visible. Michigan retailers are required to charge sales tax, while many remote sellers are not. Collection of the sales tax and companion remote sales tax are critical to funding schools, certain local services and maintaining fairness between Michigan's retailers and "remote sellers," such as Internet and out-of-state businesses. The fiscal year 2001 budget includes \$1.8 million for a multi-state cooperative initiative to develop a voluntary use tax system for remote sellers.

Making College More Affordable

Lt. Governor's Commission on Financing Postsecondary Education The fiscal year 2001 budget implements proposals made by Lt. Governor Dick Posthumus' Michigan Commission on Financing Postsecondary Education. The Commission recommends the creation of a college savings plan to encourage families to save for their children's education. The Department of Treasury budget includes recommended funding of \$16.7 million.

Michigan Merit Award The Governor signed legislation in June 1999 creating the state's new Michigan Merit Award program for high school graduates. The program, administered by the department, provides \$2,500 awards for post-secondary education to students who have taken the Michigan Educational Assessment Program (MEAP) test and met certain standards. Funding for the awards comes from the state's \$8.5 billion settlement with tobacco companies. The Governor-appointed Michigan Merit Award Board will distribute Merit Awards to an estimated 30,000 qualifying college freshman this fall.

To effectively and efficiently administer the Merit Award program, Executive Order 1999-12 transfers responsibility for the MEAP test from the Department of Education to the Department of Treasury. The Governor's fiscal year 2001 budget reflects that transfer and also recommends a transfer of \$363,400 for administration of the tuition incentive program (TIP) from the Family Independence Agency to the Department of Treasury. Additional funding of \$1.8 million is also recommended for MEAP administration, including \$1 million for MEAP test development, \$500,000 for updating system technology applications, and \$300,000 for developing math, science, social studies and English/language arts benchmarks upon which the MEAP test is based.

Meeting Local Needs

Tax Reversion The complex and antiquated tax reversion process has been streamlined by P.A. 123, 132 and 133 of 1999, and is substantially improved. Tax reversion is the process by which delinquent property taxes are collected. Under the new system, which applies to property taxes levied after December 31, 1998, a property with delinquent taxes will be processed in three years or less — versus the old system, in which the process could take up to six years.

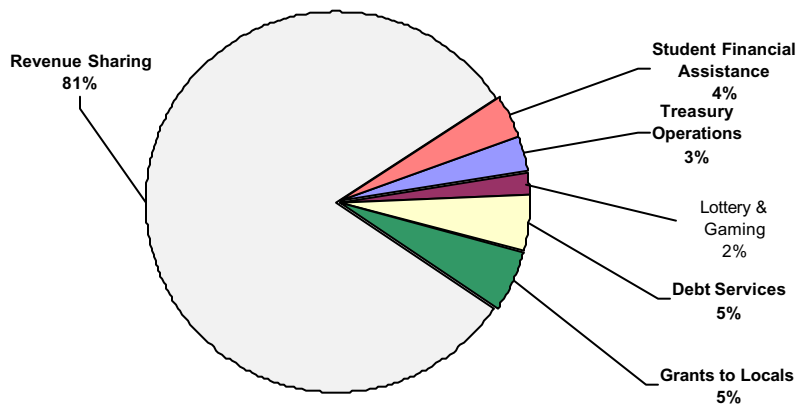
*Locals
receive
over 85%
of
Treasury's
funding*

This revised reversion process will help communities reduce urban blight and decay caused by abandoned properties and will enhance property values. It will hasten the reuse of the properties and their reintroduction to the tax rolls. A complementary urban homesteading program is intended to spur the redevelopment and rejuvenation of urban areas by encouraging home ownership. The program offers low-income individuals the opportunity to assume ownership of abandoned or vacant property for one dollar (\$1.00).

Revenue Sharing The state revenue sharing program distributes sales tax collected by the state to local governments according to constitutional and statutory formulas. The fiscal year 2001 budget includes over \$1.5 billion for the

state revenue sharing program, an increase of \$96.6 million or 6.6 percent over the current fiscal year, more than double the projected rate of inflation. The fiscal year 2001 recommendation provides the second largest increase in ten years. Cities, villages, and townships that have a 10 percent or more population increase as a result of the 2000 federal decennial census are not subject to the 8 percent cap enacted in P.A. 532 of 1988. Of the 1,798 cities, villages, and townships in Michigan, it is estimated that over half (i.e., 929) will have population

Fiscal Year 2001 Recommendation



growth greater than 10 percent. In addition, the fiscal year 2001 recommended budget eliminates special revenue census payments which, by law, are not authorized or necessary immediately after the federal census.

Other Recommendations

The fiscal year 2001 recommendation also includes \$16 million in restricted revenue for commercial mobile radio service (CMRS) emergency telephone fund payments to expand 911 services, an increase of \$5.6 million in restricted revenue for full year support of casino gaming licensing and control operations, an increase of \$4 million for convention facility development grants and \$3 million restricted revenue for unclaimed property (escheat) program administration. The recommendation also includes \$2.4 million in general fund support for the administration of the general property tax law in lieu of unavailable state restricted funds, and \$1.1 million general fund for continued support of cigarette stamping operations.

Additional recommended changes include a reduction of \$2.5 million in debt service to reflect the level of current obligations, and the transfer of \$573,600 to the Department of Management and Budget for retiree health insurance reserve payments.

Fiscal Year 2000 Supplemental

P.A. 94 of 1999 requires the department to release to the public the Michigan Educational Assessment Program (MEAP) test questions and answers used to qualify for the Merit Award. These questions are now posted on the department's Web site (<http://treasury.state.mi.us/meap>). In order to support continued development of test questions, the fiscal year 2000 supplemental recommends \$1 million to initiate MEAP test development activities.

The recommended supplemental also includes \$16.0 million in restricted revenue to expand 911 emergency services statewide.

Program Outcomes	FY1998	FY1999	FY2000	FY2001
Error free income tax returns received by April 15 will be processed by:	June 11	June 11	June 11	May 15
Increase percentage of tax returns filed electronically	21%	23%	29%	56%
Reduce the processing time for scholarship and grant funds through electronic fund transfer.	≤ 10 days	≤ 10 days	≤ 3 days	≤ 3 days

Fiscal Year 2001 General Fund/General Purpose
Sources and Uses of Funds
(in millions)

Beginning Fund Balance, October 1, 2000		\$0.0
REVENUES:		
Estimated Consensus Revenues	\$10,350.7	
Total		\$10,350.7
Plus Anticipated & Enacted Changes:		
1999 Income Tax Cut	(328.3)	
Personal Exemption Index	(25.8)	
College Tuition Credit, Low Inflation	12.0	
1998 Income Tax Changes	(5.2)	
SBT Rate Cut	(229.6)	
SBT Apportionment Change	(23.5)	
SBT Historic Credit	(1.3)	
SBT, Franchise Fee Litigation	(0.5)	
Sales Tax, Rolling Stock	(0.2)	
Sales Tax, Industrial Processing	(0.1)	
Use Tax, Industrial Processing	(6.9)	
Use Tax, Telecommunications First Use	0.8	
Increased Federal Tobacco Tax	(2.1)	
Subtotal	(610.7)	
Other Adjustments:		
Homestead Property Tax Fund Shift	27.0	
Repeal of Tuition Tax Credit	22.0	
Subtotal	49.0	
Proposed Tax Cuts:		
Agriculture Taxation Changes	(7.2)	
Brownfield Legislation	(21.5)	
Increased Exemption for Children 7-12	(8.8)	
Increased Exemption for Children 13-18	(17.7)	
One-Time Acceleration of Income Tax Cut	(46.9)	
Combining Special Exemptions	(17.7)	
Exemption for Dependents with Disabilities	(9.8)	
Homestead Property Tax Credit for Persons with Disabilities	(4.8)	
SBT Investment Tax Credit Clean-Up	(16.7)	
Subtotal	(151.1)	
Total Adjustments		(712.8)
Total Sources of Funds		\$9,637.9
EXPENDITURES:		
FY2001 Executive Recommendation	\$9,637.4	
Total Uses of Funds		9,637.4
Ending Fund Balance, September 30, 2001		<u>\$0.5</u>

Fiscal Year 2001 All Funds
Sources and Uses of Funds
(In millions)

Beginning Fund Balance, October 1, 2000		\$952.6
Change in Special Purpose Reserves and Non-Revenue Sources		523.2
REVENUES:		
Fiscal Year 2001 Estimate		\$36,276.7
	Total	\$36,276.7
<u>Plus Anticipated & Enacted Changes:</u>		
1999 Income Tax Cut	(328.3)	
Personal Exemption Index	(33.5)	
College Tuition Credit, Low Inflation	12.0	
1998 Income Tax Changes	(5.2)	
SBT Rate Cut	(229.6)	
SBT Apportionment Change	(23.5)	
SBT Historic Credit	(1.3)	
Franchise Fee Litigation	(0.5)	
Sales Tax, Rolling Stock	(5.3)	
Sales Tax, Industrial Processing	(2.0)	
Use Tax, Industrial Processing	(10.3)	
Use Tax, Telecommunications First Use	1.2	
Increased Federal Tobacco Tax	(7.2)	
SET, Exemption for Eligible Business	(2.4)	
Revised Personal Property Tax Tables	(14.5)	
Casino Revenue	92.0	
Rounding Adjustment	(0.1)	
	Subtotal	(\$558.5)
<u>Other Adjustments:</u>		
Homestead Property Tax Fund Shift	27.0	
Repeal of Tuition Tax Credit	22.0	
	Subtotal	\$49.0
<u>Proposed Tax Cuts:</u>		
Agriculture Taxation Changes	(20.5)	
Brownfield Legislation	(21.8)	
Increased Exemption for Children 7-12	(8.8)	
Increased Exemption for Children 13-18	(17.7)	
One-Time Acceleration of Income Tax Cut	(46.9)	
Combining Special Exemptions	(17.7)	
Exemption for Dependents with Disabilities	(9.8)	
Homestead Property Tax Credit for Persons with Disabilities	(4.8)	
SBT Investment Tax Credit Clean-Up	(16.7)	
	Subtotal	(164.7)
Total Adjustments		(\$674.2)
NET TOTAL REVENUES		\$35,602.5
Total Sources of Funds		\$37,078.3
EXPENDITURES:		
Total FY2001 Executive Recommendation, all funds	36,242.8	
Less: interdepartmental grants and transfers	(1,573.9)	
Total Uses of Funds		\$34,668.9
	Subtotal	\$2,409.4
Estimated Fund Balance Reserves		(1,395.4)
Ending Balance, September 30, 2001		<u>\$1,014.0</u>

Historical Expenditures/Appropriations GF/GP

DEPARTMENTS	FY 90 Expend.	FY 91 Expend.	FY 92 Expend.	FY 93 Expend.	FY 94 Expend.	FY 95 Expend.	FY 96 Expend.	FY 97 Expend.	FY 98 Expend.	FY 99 Approp.	FY 2000 Approp.	FY 2001 Rec.
Agriculture	30,798,600	29,089,750	26,043,571	25,200,069	26,023,343	41,507,294	43,441,799	36,977,547	34,215,715	48,887,000	45,883,900	50,469,800
Attorney General	23,557,000	22,272,296	23,715,728	24,645,982	25,731,152	26,911,995	28,146,412	28,728,101	28,740,351	33,187,200	32,078,800	35,168,100
Capital Outlay	183,663,345	187,937,919	155,374,616	159,576,448	203,890,424	185,627,808	190,278,423	204,098,457	257,953,893	519,255,000	277,924,800	312,814,600
Career Development										500,000	22,606,900	23,958,600
Civil Rights	10,890,200	10,272,486	10,214,935	11,038,369	10,600,820	12,712,217	11,992,187	11,750,247	11,975,385	12,504,800	12,989,300	14,338,500
Civil Service	13,528,000	13,937,855	10,996,513	11,749,312	10,813,028	10,621,489	12,852,378	12,611,237	13,181,110	19,659,400	10,797,200	11,218,900
Commerce	110,206,516	89,144,643	62,194,902	60,530,700	55,089,586	56,613,455	29,106,436					
Community Health								2,489,426,814	2,435,154,320	2,606,893,700	2,636,145,000	2,636,991,200
Consumer and Industry Services								63,702,550	75,721,087	71,500,000	77,857,500	79,344,600
Corrections	732,154,600	784,623,528	870,517,968	974,383,562	1,052,962,753	1,176,825,208	1,260,365,194	1,277,460,254	1,268,613,426	1,368,557,100	1,486,579,100	1,619,082,700
Education	50,766,970	50,159,451	32,826,318	43,697,518	36,107,369	38,783,018	47,483,089	45,073,591	45,909,895	46,393,800	34,720,900	32,698,700
Environmental Quality								43,802,958	54,796,726	58,544,973	92,501,300	99,825,000
Executive Office	3,943,100	3,631,128	4,154,796	4,328,918	4,286,138	4,432,808	4,835,017	4,741,680	5,118,384	5,117,300	5,425,100	5,679,600
Family Independence Agency								1,116,206,920	1,031,605,019	1,128,357,900	1,088,729,500	1,206,610,000
Higher Education												
Community Colleges	212,490,500	189,638,936	241,593,632	240,000,000	240,000,000	247,800,000	253,009,787	262,186,716	274,845,576	282,000,000	297,228,019	306,198,478
Universities/Financial Aid	1,193,518,700	1,167,699,912	1,297,028,960	1,311,796,990	1,316,593,215	1,354,883,384	1,410,091,564	1,491,455,863	1,558,484,506	1,600,500,000	1,679,309,308	1,729,750,562
Judiciary	111,835,200	108,010,363	114,591,806	120,322,652	123,161,004	127,670,370	134,920,282	141,946,079	147,156,019	157,099,300	161,482,900	168,555,100
Labor	75,660,885	52,434,798	34,264,409	30,842,500	29,404,187	29,935,652	26,278,836					
Legislature	74,401,000	72,962,102	81,283,852	82,201,731	85,129,779	83,429,886	87,443,092	87,449,913	89,687,113	92,561,600	101,711,700	104,896,100
Legislative Auditor General	8,655,100	8,471,200	8,710,700	8,830,224	10,130,116	10,496,901	10,915,285	10,749,956	10,924,847	11,983,400	12,522,500	13,017,500
Library of Michigan	26,497,900	23,904,895	24,480,294	24,751,231	25,647,977	27,222,584	26,817,219	27,530,263	29,123,342	32,977,400	34,258,100	34,714,900
Licensing and Regulation	11,134,881	11,849,800										
Management and Budget	50,549,100	51,951,631	28,874,226	32,310,561	29,384,442	32,530,866	51,872,600	55,682,772	47,683,349	58,138,200	45,495,300	46,960,800
Aging	23,474,900	21,080,813	17,755,839	17,933,831	20,043,155	22,962,734	23,350,103	24,782,646				
Mental Health	905,751,589	934,325,306	849,167,049	911,051,398	967,232,805	666,682,724	1,074,733,387					
Michigan Biologic Products								16,030				
Michigan Jobs Commission				1,032,715	14,606,768	33,697,834	81,620,151	99,573,779	107,076,910	109,109,800		
Michigan Strategic Fund											64,907,200	65,602,900
Military and Veterans Affairs	12,269,754	14,689,670	26,544,986	31,050,576	32,832,674	34,151,401	34,763,836	38,616,432	34,930,121	39,581,300	39,700,500	41,206,900
Natural Resources	135,121,951	104,667,569	97,337,677	93,105,133	103,914,404	188,233,744	52,633,781	48,809,945	50,465,267	49,650,000	51,495,000	55,723,900
Public Health	147,716,800	145,770,346	133,453,356	138,948,296	152,185,326	180,077,681	181,656,107					
School Aid	749,134,100	967,052,014	849,491,226	1,086,223,027	709,557,837	664,914,900	596,352,000	277,947,800	587,967,757	420,613,500	420,613,500	420,613,500
Social Services	2,603,816,358	2,378,115,326	2,086,078,906	2,052,204,164	2,103,824,477	2,163,749,837	2,373,218,724					
State	15,954,100	16,677,092	16,550,181	13,646,700	15,093,600	17,375,557	17,554,682	21,679,651	58,564,938	67,974,400	60,089,000	64,506,400
State Police	185,279,819	187,846,345	201,315,020	204,068,831	210,130,058	228,661,359	246,496,416	265,080,734	246,395,418	260,023,000	268,719,900	296,363,400
Transportation	0	0	0	0	0	0	0	0	0	0	0	0
Treasury	51,678,000	53,504,720	50,171,257	52,106,999	64,313,215	41,993,914	71,336,726	57,509,123	59,341,217	72,601,900	71,229,500	70,235,200
Debt Service	48,824,200	73,446,930	51,217,172	55,145,651	40,689,662	128,023,922	141,845,223	163,367,000	116,440,891	93,417,500	93,417,500	90,870,500
TOTALS	7,803,273,168	7,775,168,824	7,405,949,895	7,822,724,088	7,719,379,314	7,838,530,542	8,569,213,695	8,419,958,828	8,685,820,829	9,301,545,800	9,230,164,327	9,637,416,440

Historical Expenditures/Appropriations

Gross

DEPARTMENTS	FY 90 Expend.	FY 91 Expend.	FY 92 Expend.	FY 93 Expend.	FY 94 Expend.	FY 95 Expend.	FY 96 Expend.	FY 97 Expend.	FY 98 Expend.	FY99 Approp.	FY00 Approp.	FY01 Rec.
Agriculture	62,299,100	55,989,528	51,615,138	50,434,234	52,444,537	55,780,064	59,884,019	66,273,858	71,829,591	89,037,700	91,750,000	100,671,600
Attorney General	32,471,300	35,327,938	37,695,943	39,224,010	39,990,347	40,839,771	43,028,553	44,416,606	42,884,005	55,514,600	55,132,300	60,686,700
Capital Outlay	296,626,026	267,092,400	300,633,622	270,544,453	308,438,632	290,636,661	499,571,713	245,772,178	496,723,755	726,043,808	455,560,600	471,994,800
Career Development										500,000	584,112,300	596,954,400
Civil Rights	12,182,200	11,941,297	11,985,262	12,494,268	12,382,479	14,315,499	13,457,887	13,232,623	13,244,555	14,104,800	14,623,300	15,272,500
Civil Service	23,925,900	24,298,767	24,124,913	27,637,177	27,027,675	27,954,843	30,354,661	25,283,585	28,206,918	34,290,300	28,585,500	30,405,600
Commerce	287,841,500	312,810,800	289,294,945	295,290,505	349,109,486	295,836,299	193,144,304					
Community Health								6,982,832,645	7,231,164,775	7,715,187,300	8,152,205,200	8,397,586,600
Consumer and Industry Services								456,397,250	421,826,111	467,564,300	495,233,500	521,735,700
Corrections	757,370,200	806,803,557	896,870,029	1,004,807,757	1,081,670,049	1,206,246,823	1,296,847,339	1,318,192,287	1,334,952,759	1,441,935,000	1,567,641,800	1,703,340,600
Education	540,615,905	602,908,408	665,712,237	724,539,674	675,631,914	681,479,871	697,957,806	713,011,559	769,882,208	883,676,700	918,670,100	925,310,500
Environmental Quality							307,805,328	193,902,247	181,985,762	521,540,900	393,588,600	406,611,600
Executive Office	3,943,100	3,631,128	4,154,796	4,328,918	4,286,138	4,432,808	4,835,017	4,741,680	5,118,384	5,117,300	5,425,100	5,679,600
Family Independence Agency								3,495,213,116	3,278,954,106	3,161,222,300	3,642,932,400	3,507,392,200
Higher Education												
Community Colleges	212,490,500	189,638,936	241,593,632	240,000,000	240,000,000	247,800,000	253,009,787	262,186,716	274,845,576	282,000,000	297,228,019	316,198,478
Universities/Financial Aid	1,197,173,800	1,171,068,759	1,300,676,638	1,315,674,536	1,320,163,027	1,359,107,568	1,413,957,617	1,493,857,731	1,561,667,022	1,604,252,000	1,774,759,308	1,838,900,562
Judiciary	153,347,000	152,350,760	163,673,611	172,557,720	195,977,612	199,097,762	210,601,105	187,104,924	204,599,850	221,188,200	227,122,000	235,414,100
Labor	441,332,180	417,902,689	429,019,721	334,313,649	232,709,576	232,528,985	274,987,397					
Legislature	75,442,800	74,163,022	83,126,023	83,896,838	86,302,513	85,242,099	88,075,902	88,025,315	90,234,951	94,003,400	103,153,500	106,337,900
Legislative Auditor General	9,885,000	9,928,300	10,228,400	10,662,617	11,930,295	12,590,516	12,926,954	13,056,351	12,869,037	13,804,300	14,343,400	14,893,700
Library of Michigan	30,430,700	30,790,339	28,775,437	28,582,023	30,706,838	32,107,952	31,970,662	32,763,616	35,086,400	37,249,100	38,977,400	39,434,200
Licensing and Regulation	26,165,400	26,465,000										
Management and Budget	1,223,690,700	1,250,529,695	1,181,246,023	210,778,161	104,175,677	109,262,119	137,469,710	143,070,649	134,397,354	147,098,400	140,921,700	163,529,800
Aging	60,439,300	61,730,880	58,834,831	60,388,431	63,499,462	88,180,585	94,050,068	102,735,110				
Mental Health	1,246,380,384	1,320,128,986	1,304,143,665	1,382,593,420	1,459,038,492	1,522,731,485	1,881,660,627					
Michigan Biologic Products								16,101,428	21,796,070			
Michigan Jobs Commission				87,705,389	235,983,401	280,760,026	316,369,029	333,585,533	356,555,846	595,283,400		
Michigan Strategic Fund											168,917,100	169,082,800
Military and Veterans Affairs	23,209,180	26,225,756	59,074,002	62,712,137	68,443,597	72,015,536	77,744,603	83,372,837	78,980,935	89,563,000	94,962,000	100,522,700
Natural Resources	288,713,572	246,756,581	333,216,315	383,740,573	435,286,252	515,571,467	171,756,943	198,582,936	210,454,114	228,824,500	253,387,700	254,238,400
Public Health	412,057,300	443,394,713	431,451,204	474,799,000	524,217,467	601,029,072	607,898,745					
School Aid	2,992,824,943	3,199,053,338	3,137,763,749	3,483,755,480	4,431,029,987	7,975,666,620	8,928,001,053	8,894,322,580	9,964,404,211	9,663,904,600	10,158,091,200	10,676,074,200
Social Services	5,097,495,615	5,796,196,684	5,809,437,907	6,522,764,560	7,099,482,216	7,132,053,217	8,212,306,769					
State	117,337,200	120,548,314	126,066,628	125,939,821	129,930,177	140,320,887	146,427,648	150,798,841	148,645,475	175,650,300	181,515,300	187,725,200
State Police	229,652,392	234,417,217	253,322,612	258,638,227	273,300,747	291,179,449	320,805,032	350,427,467	347,462,495	353,103,700	368,850,300	398,599,100
Transportation	2,256,650,400	2,201,333,700	2,270,002,624	2,417,624,941	2,243,683,593	2,395,134,800	2,194,045,559	2,818,192,757	2,520,658,697	2,792,794,400	2,808,545,700	2,984,764,600
Treasury	160,742,400	220,056,213	1,152,163,653	2,234,266,528	2,395,018,854	1,857,817,145	1,987,113,970	2,049,931,726	2,189,911,359	1,682,621,700	1,783,254,400	1,921,909,300
Debt Service	48,824,200	73,446,930	51,217,172	55,145,651	40,689,662	128,023,922	142,278,755	164,065,122	117,140,891	94,117,500	94,117,500	91,570,500
TOTALS	18,321,560,197	19,386,930,635	20,707,120,732	22,375,840,698	24,172,550,702	27,895,743,851	30,650,344,563	30,941,451,275	32,146,483,212	33,191,193,508	34,913,607,227	36,242,837,940

Economic Outlook

1999 U.S. Economic Review

If the current recovery continues through February 2000, it will be the longest economic expansion in U.S. history, surpassing the 106-month expansion of the 1960s. In CY 1999, real Gross Domestic Product (GDP) grew an estimated 3.9 percent. The U.S. economy continued to grow above long-term historic rates marking the fourth consecutive year in which real GDP grew faster than 3.5 percent. Real consumption grew 5.1 percent, slightly faster than the 4.9 percent growth of 1998. While growing more slowly than 1998's substantial 12.7 percent pace, business fixed investment still recorded strong 8.6 percent growth. Forecasts are for calendar years.

In the light of growing inflationary pressures and more stable financial markets, the Federal Reserve raised the federal funds rate target 0.75 of a percentage point over the course of 1999. In so doing, the Fed fully reversed its 0.75 of a percentage point reduction made during 1998 in response to instability in world financial markets.

Light vehicle sales (cars and light trucks) rose to a projected record 16.7 million units, eclipsing the prior record set in 1986 (16.1 million units). Estimated housing starts remained at a strong 1.66 million units. While remaining strong, these sectors appear to have shown some signs of slowing recently in response to rising interest rates. The stock market continued to post sizeable gains with S&P 500 growth around 20.0 percent. Increased equity values and rising home prices helped support strong consumption and investment growth. Oil prices doubled in less than a year. Many commodity prices that had been falling in 1998 began rising again in 1999. Inflation as measured by the Consumer Price Index (CPI) rose to 2.2 percent in 1999, up from 1.6 percent in 1998.

1999 Michigan Economic Review

The Michigan economy moderated in 1999 with wage and salary employment increasing 1.2 percent to a record 4.57 million. For the sixth consecutive year, Michigan's unemployment rate was below the national average. The estimated 3.6 percent unemployment rate for 1999 is the lowest Michigan annual unemployment rate since 1966. The Detroit CPI increased 2.6 percent, Michigan personal income grew an estimated 4.5 percent in 1999, matching 1998. In 1999, disposable income grew an estimated 4.3 percent, up slightly from 3.8 percent growth in 1998. In 1999 wage and salary income grew an estimated 5.7 percent, matching 1998.

2000 and 2001 U.S. Economic Outlook

The U.S. economy is projected to continue to grow slightly above its potential of 3.0 percent per year. Real GDP is forecast to grow 3.5 percent in 2000 and 3.2 percent in 2001. Consumption and investment growth will both slow from the rapid pace of the past several years. At the same time, net exports are expected to continue their decline in 2000, before rising only slightly in 2001. With the decennial Census, real federal government spending is expected to grow at an annual average rate of 3.5 percent during the first half of 2000, but then decline at a 1.5 percent rate over the balance of the forecast horizon. Overall government spending is expected to grow 2.1 percent in 2000 and 1.2 percent in 2001.

Rising commodity prices, tight labor markets and increased consumer willingness to accept higher prices will boost inflation and inflationary expectations. To help stem these pressures, the Fed is expected to raise the target federal funds rate 50 basis points in 2000 and 25 basis points in 2001. With these hikes, the federal funds rate will climb to 6.25 percent by the third quarter of 2001. The ninety-day Treasury bill rate is forecast to average 5.4 percent in 2000 and 5.6 percent in 2001. Oil prices are forecast to fall to \$21 by the end of 2000 and then rise to nearly \$22/barrel by end of 2001. Consumer prices, as measured by the US CPI, are forecast to rise 2.8 percent in 2000 and 2.8 percent in 2001.

2000 and 2001 Michigan Economic Outlook

In 2000, Michigan employment is expected to grow by 65,000 jobs (1.4 percent) with personal income increasing 4.8 percent. The inflation rate, as measured by the Detroit CPI, will rise to 3.0 percent in calendar year 2000 and real (inflation adjusted) personal income will rise 1.8 percent. Wage and salary income will increase 5.4 percent; disposable income will rise 4.6 percent.

In 2001, employment is forecast to increase by 53,000 jobs (1.1 percent). This would make 2001 the eighth straight year in which Michigan's unemployment rate (3.4 percent) is below the national average. Nominal personal income growth is forecast at 4.6 percent. The Detroit CPI is forecast to increase by 3.2 percent in calendar year 2001, with real personal income rising 1.4 percent. Wage and salary income will increase 5.3 percent and disposable income, 4.4 percent.

Forecast Risks

Nascent foreign economic recoveries could stumble and push the U.S. trade deficit up still further. In particular, Japan's economic recovery remains vulnerable. Stronger than expected foreign economic recoveries pose an inflationary risk. Falling commodity prices have kept inflation low in the light of strong U.S. economic growth. Current recoveries abroad have begun pushing commodity prices up. Stronger than forecasted economic growth abroad could push inflation even higher and lead

to further Fed interest rate hikes. Also, rising productivity has helped keep price inflation at bay, even in the light of rising wages. As labor markets tighten further (lower unemployment, higher labor force participation) restrained inflation depends even more upon continued productivity gains.

The forecast assumes modest growth in government spending and no substantial change in federal tax policy. The federal government could decide to cut taxes and/or to raise spending substantially in the face of federal surpluses. While such expansionary fiscal policy would increase growth above baseline in the short-term, the resulting increased inflationary pressures would very likely lead the Fed to counter with contractionary monetary policy.

Consumption and investment have played a pivotal role in the current expansion. A booming stock market and housing market have been key to strong consumer spending and investment growth. The forecast predicts slower stock market growth and housing market. A sizeable contraction in either of these markets could sharply slow the economy.

Revenue Review

Fiscal Year 1999 Revenue

Michigan experienced strong revenue growth in 1999 as a direct result of Michigan's strong economic performance. Preliminary fiscal year totals for net general fund - general purpose (GF-GP) revenue show an increase of 8.0 percent to \$9,464.0 million with net School Aid Fund (SAF) revenue increasing 5.8 percent to \$9,309.9 million.¹ Combined total GF-GP and SAF revenue grew 6.9 percent to \$18,773.9 million. The figures in the *Executive Budget* reflect all tax cuts and preliminary book closing adjustments.

Fiscal Year 2000 and Fiscal Year 2001 Administration Revenue Estimates

On January 13, 2000, the Administration and the House and Senate Fiscal Agencies reached a consensus on projected revenue for fiscal year 2000 and fiscal year 2001. Agreement was reached on both baseline revenue forecasts and the impact of tax cuts. These revenue estimates will be reviewed again in May before the final budget bills are passed by the Legislature and sent to the Governor.

For fiscal year 2000, baseline GF-GP revenue is projected to reach \$9,924.7 million, an increase of 3.6 percent over FY 1999. Baseline SAF revenue is projected to be \$9,715.1 million, an increase of 4.3 percent. The combined revenue total is \$19,639.8 million, an increase of 4.0 percent over FY 1999. The *Executive Budget* presents baseline revenue estimates, balance sheet adjustments and tax cuts separately. After all adjustments and tax cuts, the combined GF-GP and SAF increase for fiscal year 2000 is 3.5 percent.

Fiscal year 2001 baseline GF-GP revenue is predicted to be \$10,350.7, an increase of 4.3 percent over FY 2000. Baseline SAF revenue is projected to be \$10,077.7 million, an increase of 3.7 percent over FY 2000, for a combined revenue total of \$20,428.4 million, an increase of 4.0 percent. After tax cuts and other balance sheet adjustments are subtracted from baseline revenue, the combined increase is 2.3 percent.

These figures reflect a forecast of continued economic growth in 2000 and 2001 resulting in continued growth in revenue.

Overall FY 2001 Revenue

Total revenue for all funds is estimated to be \$36.7 billion. Table L-1 presents a summary of revenues by fund. The Detailed Statement of General and Special Revenue Funds presents information for fiscal years 1998 through 2001.

¹ The GF-GP total excludes a one-time \$34.6 million Special Medicaid Reimbursement that is included in the detailed revenue table under GF-GP Local Agencies.

PROJECTED REVENUES FY 2000 - 2001

(MILLIONS)

	<u>FY 2000 – 2001</u>
General Fund – General Purpose	
Consensus Estimate	\$ 9,740.0
Other Transfers	<u>1.0</u>
Total GF-GP Revenue	9,741.0
School Aid Fund	
Consensus Estimate	10,129.9
Transfers and Federal Aid	<u>572.6</u>
Total SAF Revenue	10,702.5
Transportation Funds	4,070.9
General Fund – Special Purpose	11,429.7
Special Revenue Funds	<u>816.5</u>
Sub-Total All Funds	36,760.6
Other Revenue Sources	<u>1,463.6</u>
Gross Total All Resources	38,224.2
Less Interfund Transfers	<u><u>(1,544.8)</u></u>
Net Total All Resources	\$ 36,679.3

Office of Revenue and Tax Analysis
Michigan Department of Treasury
January 2000

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001

01/17/00

GENERAL FUND - GENERAL PURPOSE REVENUE

TAXES				
Individual Income ⁽¹⁾	5,686,836,500	6,219,435,748	6,547,600,000	6,867,100,000
Less: Refunds	(1,082,432,690)	(1,163,925,054)	(1,231,000,000)	(1,277,800,000)
Net Individual Income	4,604,403,809	5,055,510,694	5,316,600,000	5,589,300,000
Single Business	2,322,515,283	2,315,959,571	2,397,000,000	2,474,600,000
Sales ⁽²⁾	93,906,708	125,921,494	115,800,000	113,400,000
Use	767,716,036	875,821,209	927,100,000	980,000,000
Insurance Company Premium Retaliatory	142,492,990	205,079,813	213,000,000	220,000,000
Cigarette Excise ⁽³⁾	139,818,505	152,011,985	149,000,000	146,700,000
Telephone and Telegraph Company	151,963,575	150,333,770	154,000,000	158,000,000
Penalties and Interest	122,938,515	143,796,644	135,000,000	135,000,000
Intangibles ⁽⁵⁾	45,003,983	568,464	0	0
Estate / Inheritance	110,381,359	174,882,922	195,000,000	209,000,000
Beer and Wine Excise	50,306,291	47,810,604	49,500,000	50,000,000
Oil and Gas Severance	30,123,619	23,383,307	32,000,000	32,000,000
Liquor Specific ⁽⁴⁾	24,606,586	26,137,396	26,000,000	26,000,000
Railroad / Car Loaning	5,266,888	4,739,444	4,700,000	4,700,000
Enhanced Enforcement and ACS ⁽⁵⁾	(72,513,643)	(73,279,445)	(76,000,000)	(76,000,000)
TOTAL GF - GP TAXES	8,538,930,503	9,228,677,870	9,638,700,000	10,062,700,000

⁽¹⁾ See also Special Purpose Revenue.

⁽²⁾ See Special Purpose Revenue, School Aid Fund, and Comprehensive Transportation Fund.

⁽³⁾ See also Special Purpose Revenue and School Aid Fund.

⁽⁴⁾ See also School Aid Fund.

⁽⁵⁾ Restricted revenues supporting Treasury collection activities are shown here as negatives.

⁽⁶⁾ Baseline revenue before phase-out.

The taxes are shown at the level generated by economics and normal refunds.

Prepared by Office of Revenue and Tax Analysis, Michigan Department of Treasury

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
01/17/00				
GENERAL FUND - GENERAL PURPOSE REVENUE				
NON-TAX REVENUE				
Federal Aid	44,368,183	80,625,799	40,000,000	40,000,000
Local Agencies	922,545	36,040,476	1,000,000	1,000,000
Services	8,434,182	8,710,556	9,000,000	9,000,000
Licenses & Permits	24,040,712	26,872,789	24,000,000	24,000,000
Miscellaneous	56,765,438	60,267,185	55,000,000	55,000,000
Interest and Investment Profits	(22,908,972)	13,170,941	15,000,000	15,000,000
TOTAL GF - GP NON-TAX REVENUE	111,622,088	225,687,744	144,000,000	144,000,000
TRANSFERS FROM OUTSIDE GF & SR FUNDS				
Other Interfund Transfers Received (School Bond Loan)	67,721,914	77,543,900	1,000,000	1,000,000
Liquor Purchase Revolving Fund	96,707,428	105,346,643	105,000,000	107,000,000
Transfers From Lottery Charitable Gaming and Other Funds	7,025,865	7,342,332	7,000,000	7,000,000
Unclaimed and Abandoned Property	38,975,797	41,538,774	30,000,000	30,000,000
TOTAL GF - GP TRANSFERS	210,431,003	231,771,649	143,000,000	145,000,000
General Fund - General Purpose Summary				
GF - GP Tax Revenue	8,538,930,503	9,228,677,870	9,638,700,000	10,062,700,000
GF - GP Non-Tax Revenue	111,622,088	225,687,744	144,000,000	144,000,000
GF - GP Transfers	210,431,003	231,771,649	143,000,000	145,000,000
TOTAL GENERAL FUND-GENERAL PURPOSE	8,860,983,595	9,686,137,263	9,925,700,000	10,351,700,000
LESS: Tax Cuts and Other Adjustments	0	(110,000,000)	(253,300,000)	(610,700,000)
TOTAL GENERAL FUND-GENERAL PURPOSE before Interfund Transfers	8,860,983,595	9,576,137,263	9,672,400,000	9,741,000,000
LESS: Interfund Transfers	(67,721,914)	(77,543,900)	(1,000,000)	(1,000,000)
NET TOTAL GENERAL FUND-GENERAL PURPOSE	8,793,261,681	9,498,593,363	9,671,400,000	9,740,000,000
Excluding inter-fund transfers to GF-GP				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
GENERAL FUND-SPECIAL PURPOSE REVENUE				
TAXES				
Airport Parking	14,269,410	15,885,951	14,700,000	15,000,000
Cigarette - Health & Safety Fund & Local Health Depts.	29,290,123	31,835,536	37,895,000	37,260,800
Cigarette - Healthy Michigan	33,962,826	36,907,761	36,210,253	35,610,253
Horse Race Wagering	12,708,836	13,286,262	11,319,621	11,319,621
Campaign Fund	1,592,538	1,288,096	1,300,000	1,300,000
Income Tax Credit Expenditure	477,000,000	486,100,000	0	0
Sales Tax Revenue Sharing	1,359,916,827	1,395,001,748	1,462,500,000	1,559,100,000
Sales Tax-Health Initiative	8,999,100	9,000,000	9,000,000	9,000,000
Use Tax Prescription Drug Credit	5,018,763	17,988	5,000,000	5,000,000
Liquor Convention Facility Development	15,619,216	17,939,366	17,000,000	18,500,000
Liquor Tourism Promotion	24,575,050	25,460,802	23,000,000	25,500,000
Various Tax Out-of-Period Refunds	39,016,556	147,677,647	1,782,882	1,782,882
Enhanced Enforcement and ACS	72,513,643	73,279,445	76,000,000	76,000,000
TOTAL GF - SP TAXES	2,094,482,887	2,253,680,601	1,695,707,756	1,795,373,556
NON-TAX REVENUE				
Local Agencies	120,153,688	125,424,548	128,310,304	90,645,086
Special Medical Reimbursement	585,179,390	656,165,774	582,372,000	619,536,000
Services	98,682,616	103,988,164	100,080,296	103,628,482
Licenses & Permits	176,455,027	187,133,793	218,035,100	220,210,775
Miscellaneous	361,520,621	304,514,005	365,622,597	373,844,721
Transfers From Other Funds	85,723,725	110,306,988	109,781,369	111,875,544
TOTAL GF - SP NON-TAX REVENUE	1,427,715,068	1,487,533,273	1,504,201,666	1,519,740,608

01/17/00

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
01/17/00				
GENERAL FUND-SPECIAL PURPOSE REVENUE				
FEDERAL AID NOT ELSEWHERE ITEMIZED:				
Federal Aid: Agriculture	3,061,489	3,063,262	6,569,400	6,856,700
Federal Aid: Attorney General	2,692,727	3,033,828	7,462,100	6,567,500
Federal Aid: Capital Outlay excluding Transportation	7,397,180	3,510,657	7,018,750	6,710,000
Federal Aid: Career Development	n.a.	n.a.	349,029,800	349,776,400
Federal Aid: Civil Rights	1,339,745	1,253,033	934,000	934,000
Federal Aid: Civil Service	2,410,770	1,389,690	1,279,100	0
Federal Aid: Community Health / Biologics	3,585,997,153	3,755,269,838	4,179,057,320	4,459,046,343
Federal Aid: Consumer and Industry Services	24,219,517	29,994,720	128,488,900	134,480,300
Federal Aid: Corrections	6,073,667	14,695,394	19,828,800	13,731,572
Federal Aid: Education	707,147,145	752,972,319	856,731,755	809,814,755
Federal Aid: Environmental Quality	25,875,151	28,866,479	83,068,900	83,068,900
Federal Aid: Family Independence Agency	2,083,969,954	1,976,196,487	2,374,089,800	2,082,760,900
Federal Aid: Higher Education Colleges & Universities	3,182,516	2,507,732	3,900,000	3,900,000
Federal Aid: Judiciary	1,432,120	1,362,823	1,445,000	1,176,000
Federal Aid: Legislature / Library of Michigan	5,712,860	5,636,119	4,109,800	4,557,400
Federal Aid: Management and Budget	3,245,313	3,628,639	536,400	550,500
Federal Aid: Michigan Jobs Commission	287,401,785	300,017,127	n.a.	n.a.
Federal Aid: Michigan Economic Development Corporation	n.a.	n.a.	53,203,200	53,203,200
Federal Aid: Military Affairs	24,825,400	29,989,278	33,960,664	35,247,200
Federal Aid: Natural Resources	16,238,948	19,515,180	24,006,800	24,541,400
Federal Aid: State	605,257	749,529	3,112,100	5,351,300
Federal Aid: State Police	46,582,516	33,446,887	45,970,997	30,728,500
Federal Aid: Treasury	500,000	750,000	1,600,000	1,600,000
TOTAL FEDERAL AID excluding Transportation	6,839,911,213	6,967,849,022	8,185,403,586	8,114,602,870
General Fund - Special Purpose Summary				
GF - SP Tax Revenue	2,094,482,887	2,253,680,601	1,695,707,756	1,795,373,556
GF - SP Non-Tax Revenue	1,427,715,068	1,487,533,273	1,504,201,666	1,519,740,608
GF - SP Federal Aid	6,839,911,213	6,967,849,022	8,185,403,586	8,114,602,870
TOTAL GENERAL FUND-SPECIAL PURPOSE	10,362,109,168	10,709,062,896	11,385,313,008	11,429,717,035
LESS: Interfund Transfers	(85,723,725)	(110,306,988)	(109,781,369)	(111,875,544)
NET TOTAL GENERAL FUND-SPECIAL PURPOSE	10,276,385,444	10,598,755,907	11,275,531,640	11,317,841,490
Excluding inter-fund transfers to GP-SP				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
01/17/00				
SCHOOL AID FUND REVENUE				
TAXES and LOTTERY				
Sales Tax	4,094,188,345	4,301,457,661	4,500,600,000	4,690,100,000
Use Tax	386,419,276	438,005,677	466,700,000	490,000,000
Income Tax Earmarking	1,699,374,155	1,848,120,728	1,956,200,000	2,051,600,000
State Education Tax	1,256,873,809	1,273,458,503	1,350,000,000	1,410,000,000
Real Estate Transfer Tax	227,851,547	261,696,410	264,000,000	260,000,000
Cigarette Excise Tax	350,375,285	380,912,838	373,400,000	367,700,000
Other Tobacco Products Tax	12,599,029	13,461,220	13,200,000	13,200,000
Industrial & Commercial Facilities Tax	115,340,891	136,450,354	135,000,000	135,000,000
Liquor Excise Tax	23,917,089	25,434,147	26,000,000	26,000,000
Other Specific Taxes	13,384,965	14,223,903	14,100,000	14,100,000
Sub-Total SAF Taxes	8,180,324,392	8,693,221,441	9,099,200,000	9,457,700,000
NON-TAX REVENUE				
Transfer from Lottery Ticket Sales	616,109,991	621,131,480	616,000,000	620,000,000
Federal Aid	84,674,842	106,822,778	120,000,000	120,000,000
Transfer from Counter-Cyclical Budget & Economic Stabilization	212,000,000	72,557,252	32,000,000	32,000,000
Transfer from General Fund	375,967,757	420,740,030	420,600,000	420,600,000
Recovery of Prior Year State Aid and Receivables	17,121,260	39,703,193	0	0
Sub-Total SAF Other Source Revenues	1,305,873,850	1,260,954,733	1,188,600,000	1,192,600,000
TOTAL SCHOOL AID FUND	9,486,198,241	9,954,176,173	10,287,800,000	10,650,300,000
LESS: Tax Cuts and Other Adjustments	0	(4,500,000)	45,700,000	52,200,000
TOTAL SCHOOL AID FUND before Interfund Transfers	9,486,198,241	9,949,676,173	10,333,500,000	10,702,500,000
LESS: Interfund Transfers	(587,967,757)	(493,297,282)	(452,600,000)	(452,600,000)
NET TOTAL SCHOOL AID FUND	8,898,230,484	9,456,378,892	9,880,900,000	10,249,900,000
Excluding inter-fund transfers to School Aid Fund				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
	01/17/00			
SPECIAL REVENUE FUNDS				
Casino Gaming	1,461,955	10,777,090	27,124,300	27,124,300
Counter-Cyclical Budget & Economic Stabilization ^(a)	60,130,581	106,382,925	54,000,000	54,000,000
Civilian Conservation Corps Endowment ⁽⁷⁾	1,250,445	1,148,724	1,100,000	1,100,000
Children's Trust ⁽⁸⁾	2,139,704	1,795,148	1,260,000	1,410,000
Construction Code	12,773,635	9,095,182	7,904,109	8,141,232
Forest Development ⁽⁸⁾	18,467,427	18,565,206	19,150,000	20,000,000
Construction Lien	412,859	4,347,413	346,937	357,345
Employment Security Administration ^(a)	145,375,134	149,087,644	171,399,300	156,640,600
Game and Fish Protection ⁽⁸⁾	53,735,019	54,975,008	47,175,700	46,675,700
Game and Fish Protection Trust	14,541,670	8,228,619	6,300,000	6,400,000
Workplace Health and Safety	1,347,277	1,197,743	1,350,000	1,390,500
Marine Safety Trust	5,531,547	6,202,822	3,780,600	3,841,000
Merit Award Trust	n.a.	n.a.	115,000,000	150,700,000
MI Underground Storage Tank Financial Assistance	63,448,212	68,582,246	64,845,000	65,130,000
Natural Resources Trust	48,866,011	35,098,290	29,000,000	29,300,000
Nongame Fish and Wildlife	1,559,904	978,879	890,000	900,000
State Park Endowment ⁽⁷⁾	15,199,460	12,680,391	13,000,000	13,000,000
State Park Improvement ⁽⁸⁾	29,017,491	29,248,923	28,400,000	28,500,000
Safety, Education & Training	5,226,069	5,057,552	5,133,000	5,286,990
Proposed Tobacco Settlement Trust	n.a.	n.a.	268,400,000	150,700,000
Veterans Trust	4,550,114	1,224,105	350,000	350,000
Michigan State Waterways ^(a)	24,901,882	25,123,606	23,153,300	23,038,500
Bottle Deposits	20,827,658	29,930,325	22,702,908	22,469,841
TOTAL SPECIAL REVENUE FUNDS	530,764,053	579,727,842	911,765,154	816,456,009
LESS: Interfund Transfers	(49,646,703)	(121,139,516)	(46,630,700)	(40,076,800)
NET TOTAL SPECIAL REVENUE FUNDS	481,117,351	458,588,326	865,134,454	776,379,209

Excluding Inter-fund transfers to Special Revenue Funds

⁽⁷⁾ Funded from proceeds of Accident Fund

⁽⁸⁾ Includes Transfers in.

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
01/17/00				
TRANSPORTATION: AERONAUTICS 114				
Aviation Fuel Tax	6,867,759	8,389,628	8,740,000	8,924,000
Federal Aid	47,582,152	51,099,867	83,119,000	89,026,000
Local Agencies	14,067,161	12,730,520	13,041,000	17,041,000
Transfers and Other	2,097,627	2,008,603	1,612,000	1,562,000
TOTAL AERONAUTICS	70,614,699	74,228,617	106,512,000	116,553,000
TRANSPORTATION: TRUNKLINE FUND 116				
Federal Aid	458,840,506	523,294,848	800,525,000	862,749,000
Local Agencies	28,668,169	43,301,539	32,720,000	32,720,000
Licenses and Permits	20,258,967	18,552,818	19,000,000	20,000,000
Transfer from MI Transportation & Oth. Funds	712,638,715	745,455,211	757,543,300	778,022,000
Interest from Common Cash Investment	12,462,733	16,089,520	13,650,000	13,650,000
Other	32,772,866	29,475,721	27,180,000	27,780,000
TOTAL TRUNKLINE	1,265,641,956	1,376,169,657	1,650,618,300	1,734,921,000
TRANSPORTATION: MI TRANSPORTATION FUND 119				
Diesel and Motor Carrier Fuel Tax	118,180,926	134,511,705	135,000,000	137,000,000
Gasoline Tax	904,559,983	931,829,378	941,000,000	956,000,000
Motor Vehicle Registration Tax	664,781,693	709,869,374	740,000,000	775,000,000
Licenses, Permits, Other and Transfers	60,460,558	57,594,607	57,000,000	57,000,000
Interest From Common Cash Investment	12,473,379	11,024,217	11,000,000	11,000,000
TOTAL MICHIGAN TRANSPORTATION FUND	1,760,456,540	1,844,829,282	1,884,000,000	1,936,000,000
TRANSPORTATION: COMPREHENSIVE 120				
Sales Tax	60,309,659	63,241,240	63,400,000	63,400,000
Federal Aid	13,189,501	18,577,809	31,246,000	55,800,000
Transfer from MI Transportation & Oth. Funds	146,099,087	154,281,031	155,687,000	161,269,500
Other	6,556,890	7,889,666	1,450,000	1,850,000
TOTAL COMPREHENSIVE	226,155,138	243,989,746	251,783,000	282,319,500
TRANSPORTATION BOND PROCEEDS	61,759,167	30,352,594	1,425,000	1,100,000
TOTAL TRANSPORTATION REVENUE	3,384,627,500	3,569,569,897	3,894,338,300	4,070,893,500
LESS: Interfund Transfers	(858,737,802)	(999,736,242)	(913,230,300)	(939,291,500)
NET TOTAL TRANSPORTATION REVENUE After Transfers	2,525,889,698	2,569,833,654	2,981,108,000	3,131,602,000

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
	01/17/00			
General Fund Summary				
General Fund - General Purpose	8,860,983,595	9,576,137,263	9,672,400,000	9,741,000,000
General Fund - Special Purpose	10,362,109,168	10,709,062,896	11,385,313,008	11,429,717,035
TOTAL GENERAL FUND	19,223,092,763	20,285,200,159	21,057,713,008	21,170,717,035
LESS: Interfund Transfers	(153,445,639)	(187,850,888)	(110,781,369)	(112,875,544)
NET TOTAL GENERAL FUND after transfers	19,069,647,124	20,097,349,270	20,946,931,639	21,057,841,490
Other Funds Summary				
School Aid Fund	9,486,198,241	9,949,676,173	10,333,500,000	10,702,500,000
Special Revenue Funds	530,764,053	579,727,842	911,765,154	816,456,009
Transportation Revenues	3,384,627,500	3,569,569,897	3,894,338,300	4,070,893,500
TOTAL OTHER FUNDS	13,401,589,795	14,098,973,912	15,139,603,454	15,589,849,509
LESS: Interfund Transfers	(1,496,352,262)	(1,514,173,040)	(1,412,461,000)	(1,431,968,300)
NET TOTAL OTHER FUNDS after transfers	11,905,237,533	12,584,800,872	13,727,142,454	14,157,881,209
All Funds Summary				
Net General Fund	19,069,647,124	20,097,349,270	20,946,931,639	21,057,841,490
Net Other Funds	11,905,237,533	12,584,800,872	13,727,142,454	14,157,881,209
NET TOTAL REVENUE after transfers	30,974,884,657	32,682,150,142	34,674,074,093	35,215,722,699

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 1997 - 1998	PRELIMINARY FY 1998 - 1999	ESTIMATES FY 1999 - 2000	ESTIMATES FY 2000 - 2001
01/17/00				
OTHER REVENUE OR NON-CURRENT YEAR SOURCES OF FINANCING				
General Fund Unreserved Balance	53,300,000	0	0	0
School Aid Fund Unreserved Balance	193,065,000	272,757,000	572,800,000	810,300,000
Special Revenue Funds Balances (Available)	148,788,000	132,110,000	142,343,000	142,343,000
Budgeted Non-revenue Items				
Liquor Operations (330)	15,934,127	16,753,994	19,663,800	29,094,500
Lottery Operations (335)	31,302,743	30,179,763	36,555,200	37,161,400
Retirement Operations (762;771,6;783,4;875)	18,920,817	21,184,780	30,702,600	32,031,700
Michigan State Industries (431)	8,666,401	9,189,218	12,655,200	15,681,400
State Building Authority & Capital Outlay Reserve	124,669,868	373,377,181	371,565,551	371,565,551
Group Insurance Fund(440), Flexible Spending & COBRA	2,242,075	6,318,567	7,348,300	7,422,300
MSHDA	15,257,423	15,043,884	16,738,000	18,005,400
Sub-Total Budgeted Non-revenue Items and Fund Balances	612,146,454	876,914,387	1,210,371,651	1,463,605,251
NET TOTAL RESOURCES	31,587,031,111	33,559,064,529	35,884,445,744	36,679,327,950

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
AGRICULTURE		
Executive	12,803,200	12,592,900
Departmentwide	1,132,700	1,129,500
Food and Dairy	18,338,300	7,412,900
Animal Industry	5,742,100	5,611,500
Pesticide and Plant Pest Management	13,405,700	6,753,600
Environmental Stewardship	10,679,300	4,781,300
Laboratory Program	10,169,000	5,630,400
Market Development	4,325,500	3,426,000
Fairs and Expositions	20,221,400	3,131,700
Office of Racing Commissioner	3,854,400	0
TOTAL AGRICULTURE	100,671,600	50,469,800
CAPITAL OUTLAY		
Department of Management and Budget	25,000,000	18,000,000
Department of Military Affairs	0	0
Lump Sum Projects	7,250,000	350,000
Department of Natural Resources	0	0
State Parks	2,500,000	0
Real Estate	5,000,000	0
Wildlife	4,650,000	0
Waterways	11,042,200	0
Department of Transportation	0	0
State Trunkline Fund	9,970,000	0
Aeronautics Fund: Aeronautics Programs	129,648,000	21,300,000
State Building Authority Rent	276,934,600	273,164,600
TOTAL CAPITAL OUTLAY	471,994,800	312,814,600
COMMUNITY HEALTH		
Departmentwide Administration	79,907,300	51,803,100
Mental Health/Substance Abuse		
Service Administration and Special Projects	31,219,900	16,364,500
Community Mental Health/Substance Abuse Services Programs	1,804,676,500	1,040,940,600
State Psychiatric Hospitals, Center for Persons with Developmental Disabilities, and Forensic and Prison Mental Health Services	346,205,800	41,029,900
Public Health Administration	8,184,800	3,200,600
Infectious Disease Control	43,394,100	5,994,800
Laboratory Services	12,641,100	6,616,300

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
COMMUNITY HEALTH (CON'T)		
Epidemiology	7,602,000	2,061,300
Local Health Administration and Grants	45,888,600	41,854,100
Chronic Disease and Injury Prevention and Health Promotion	44,287,900	3,200,000
Community Living, Children, and Families	104,353,000	27,844,500
Women, Infants, and Children Food and Nutrition Program	161,899,500	0
Children's Special Health Care Services	141,436,600	70,311,000
Office of Drug Control Policy	27,533,700	179,600
Crime Victim Services Commission	23,989,100	507,700
Office of Services of the Aging	88,167,600	34,967,000
Medical Services Administration	55,160,200	18,300,600
Medical Services	3,159,565,300	304,074,800
TOTAL COMMUNITY HEALTH	6,186,113,000	1,669,250,400
CONSUMER AND INDUSTRY SERVICES		
Executive Direction	18,808,600	3,806,300
Council for Arts and Cultural Affairs	22,432,900	21,732,900
Fire Safety	4,865,100	1,578,300
Management Services	36,665,400	6,533,500
Financial Services and Corporations	41,864,200	0
Public Service Commission	15,358,900	0
Liquor Control Commission	19,963,700	0
Michigan State Housing Development Authority	98,857,600	0
Tax Tribunal	1,633,500	1,006,100
Grants	6,675,000	0
Health Regulatory Systems	43,972,800	10,076,700
Regulatory Services	24,093,200	13,911,500
Occupational Regulation	21,218,900	262,000
Employment Relations	3,079,500	3,039,500
Safety and Regulation	25,556,200	7,214,900
Worker's Disability Compensation	22,984,500	10,182,900
Unemployment Agency	113,705,700	0
TOTAL CONSUMER AND INDUSTRY SERVICES	521,735,700	79,344,600
CORRECTIONS		
Executive	26,013,900	9,145,600
Administration and Programs	104,922,900	82,588,800
Field Operations Administration	158,071,900	140,769,700
Community Corrections	47,480,800	33,736,100

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
CORRECTIONS (CON'T)		
Consent Degrees	109,614,000	109,614,000
Health Care	140,144,100	140,060,600
Correctional Facilities Administration	40,577,800	39,459,200
Northern Region Correctional Facilities	323,767,500	322,669,000
Southeastern Region Correctional Facilities	405,409,200	395,190,800
Southwestern Region Correctional Facilities	347,338,500	345,848,900
TOTAL CORRECTIONS	1,703,340,600	1,619,082,700
EDUCATION		
State Board of Education/Office of Superintendent	2,832,600	2,251,400
Central Support	7,477,100	2,978,300
School Support Services	4,876,300	221,700
Data and Technology Services	5,127,400	2,101,100
Special Education Services	7,140,900	198,500
Lansing, Michigan School for the Blind Former Site	1,267,000	0
Michigan Schools for the Deaf and Blind	13,225,800	3,808,200
Professional Preparation Services	5,729,900	0
Field Services	4,099,800	426,600
Office of School Excellence	6,589,200	2,553,500
Government Services	1,081,300	445,500
Safe Schools and Administrative Law	1,284,000	990,600
Education Options, Charters, and Choice	797,800	492,300
Grants and Distributions	863,781,400	16,231,000
TOTAL EDUCATION	925,310,500	32,698,700
ENVIRONMENTAL QUALITY		
Executive	2,314,200	1,524,000
Financial and Business Services	11,068,800	3,020,700
Departmental Operation Support	7,666,600	5,517,400
Geological Survey	11,067,400	129,600
Land and Water Management	13,540,600	7,338,300
Air Qaulity	18,744,800	6,446,300
Surface Water Quality	21,482,000	10,000,300
Drinking Water Protection and Radiological Health	23,574,700	8,802,300
Low Level Radioactive Waste Authority	761,700	0
Environmental Response	57,512,000	25,004,600
Storage Tanks	81,601,100	5,829,400
Waste Management	13,659,200	5,411,800
Environmental Assistance	11,085,100	605,200
Criminal Investigation	1,888,200	1,461,900

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
ENVIRONMENTAL QUALITY (CON'T)		
Grants	130,500,600	18,588,600
Bond Waste Management	144,600	144,600
TOTAL ENVIRONMENTAL QUALITY	406,611,600	99,825,000
FAMILY INDEPENDENCE AGENCY		
Executive Operations	245,159,400	83,817,300
Family Services Administration	239,282,300	29,568,900
Child and Family Services	635,227,400	231,903,800
Juvenile Justice Services	193,891,200	119,141,400
Local Office Staff and Operations	457,815,600	174,805,700
Disability Determination Accounts	71,592,900	893,300
Central Support Accounts	244,911,400	97,827,800
Public Assistance	1,419,512,000	468,651,800
TOTAL FAMILY INDEPENDENCE AGENCY	3,507,392,200	1,206,610,000
GENERAL GOVERNMENT		
ATTORNEY GENERAL		
Attorney General Operations	60,686,700	35,168,100
TOTAL ATTORNEY GENERAL	60,686,700	35,168,100
CIVIL RIGHTS		
Civil Rights Operations	15,272,500	14,338,500
TOTAL CIVIL RIGHTS	15,272,500	14,338,500
CIVIL SERVICE		
Civil Service Operations	30,405,600	11,218,900
TOTAL CIVIL SERVICE	30,405,600	11,218,900
EXECUTIVE OFFICE		
Executive Office Operations	5,679,600	5,679,600
TOTAL EXECUTIVE OFFICE	5,679,600	5,679,600
LEGISLATIVE AUDITOR GENERAL		
Office of the Auditor General	14,893,700	13,017,500
TOTAL LEGISLATIVE AUDITOR GENERAL	14,893,700	13,017,500

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
LEGISLATURE		
Legislature	78,738,800	78,738,800
Legislature Council	13,881,800	13,481,800
Legislature Retirement System	4,298,900	3,257,100
Property Management	9,418,400	9,418,400
TOTAL LEGISLATURE	106,337,900	104,896,100
LIBRARY OF MICHIGAN		
Library of Michigan	39,434,200	34,714,900
TOTAL LIBRARY OF MICHIGAN	39,434,200	34,714,900
MANAGEMENT AND BUDGET		
Management and Budget Services	133,488,100	43,318,800
Statewide Appropriations	1,255,000	0
Special Programs	28,786,700	3,642,000
TOTAL MANAGEMENT AND BUDGET	163,529,800	46,960,800
STATE		
Executive Direction	2,514,000	1,267,900
Department Services	44,893,900	13,039,100
Regulatory Reform	15,058,800	3,143,300
Customer Delivery Services	103,606,400	34,158,300
Election Regulation	4,428,100	4,428,100
Historical Program	7,878,800	5,246,500
Departmentwide Appropriations	9,345,200	3,223,200
TOTAL STATE	187,725,200	64,506,400
TREASURY		
Executive Direction	1,248,400	997,000
Departmentwide Appropriations	6,094,800	2,686,300
Local Government Programs	9,033,100	5,196,500
Tax Programs	66,996,200	24,249,900
Management Programs	42,122,300	17,216,200
Financial Programs	79,070,900	1,958,000
Debt Service	91,570,500	90,870,500
Grants	1,660,218,200	17,931,300

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
TREASURY (CON'T)		
State Lottery	36,658,600	0
Casino Gaming	20,466,800	0
TOTAL TREASURY	2,013,479,800	161,105,700
TOTAL GENERAL GOVERNMENT	2,637,445,000	491,606,500
HIGHER EDUCATION		
COMMUNITY COLLEGES		
Operations		
Alpena Community College	5,073,576	5,073,576
Bay de Noc Community College	4,857,916	4,857,916
Delta College	14,230,014	14,230,014
Glen Oaks Community College	2,336,201	2,336,201
Gogebic Community College	4,156,155	4,156,155
Grand Rapids Community College	18,092,391	18,092,391
Henery Ford Community College	21,625,899	21,625,899
Jackson Community College	12,181,665	12,181,665
Kalamazoo Valley Community College	12,055,784	12,055,784
Kellogg Community College	9,541,445	9,541,445
Kirtland Community College	2,965,517	2,965,517
Lake Michigan College	5,133,574	5,133,574
Lansing Community College	30,806,692	30,806,692
Macob Community College	33,223,327	33,223,327
Mid Michigan Community College	4,336,804	4,336,804
Monroe County Community College	4,146,217	4,146,217
Montcalm Community College	3,111,997	3,111,997
Mott Community College	15,650,542	15,650,542
Muskegon Community College	8,911,678	8,911,678
North Central Michigan College	3,016,073	3,016,073
Northwestern Michigan College	9,007,943	9,007,943
Oakland Community College	21,058,314	21,058,314
St.Clair County Community College	6,993,790	6,993,790
Schoolcraft College	12,194,157	12,194,157
Southwestern Michigan College	6,421,945	6,421,945
Washtenaw Community College	12,176,037	12,176,037
Wayne County Community College	16,476,511	16,476,511
West Shore Community College	2,291,080	2,291,080
Grants	4,125,234	4,125,234
Financial Aid	10,000,000	0
TOTAL COMMUNITY COLLEGES	316,198,478	306,198,478

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
STATE UNIVERSITIES/GRANTS & FIN. AID		
Operations		
Central Michigan University	83,512,286	83,512,286
Eastern Michigan University	84,930,550	84,930,550
Ferris State University	53,413,160	53,413,160
Grand Valley State University	55,799,930	55,799,930
Lake Superior State University	13,727,087	13,727,087
Michigan State University	313,576,982	313,576,982
Michigan Technological University	53,144,996	53,144,996
Northern Michigan University	50,038,900	50,038,900
Oakland University	48,987,163	48,987,163
Saginaw Valley State University	25,899,169	25,899,169
University of Michigan-Ann Arbor	347,332,770	347,332,770
University of Michigan-Dearborn	26,728,504	26,728,504
University of Michigan-Flint	23,006,194	23,006,194
Wayne State University	244,018,391	244,018,391
Western Michigan University	120,605,996	120,605,996
State and Regional Programs	61,335,513	61,335,513
Martin Luther King, Jr.-Cesar	0	0
Chavez-Rosa Parks Program	2,891,092	2,891,092
Grants and Financial Aid	229,951,879	120,801,879
TOTAL STATE UNIVERSITIES	1,838,900,562	1,729,750,562
JUDICIARY		
Supreme Court	39,753,100	26,711,100
Court of Appeals	21,015,600	19,366,800
Justices' and Judges' Compensation	80,192,000	74,561,400
Judicial Agencies	994,300	994,300
Indigent Defense-Criminal	5,731,700	5,125,100
Indigent Civil Legal Assistance	7,337,000	0
Trial Court Operations	77,840,400	41,796,400
Grants and Reimbursements to Local Government	2,550,000	0
TOTAL JUDICIARY	235,414,100	168,555,100
MILITARY AND VETERANS AFFAIRS		
Headquarters and Armories	13,883,500	9,475,800
Military Training Sites and Support Facilities	15,641,000	3,620,800
Departmentwide Appropriations	7,569,500	3,543,500
Veterans' Service Organizations	3,664,500	3,664,500
Grand Rapids Veterans' Home	41,839,300	15,615,400

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
MILITARY AND VETERANS AFFAIRS (CON'T)		
D.J. Jacobetti Veterans' Home	12,837,400	4,935,700
Michigan Veterans' Trust Fund	5,087,500	351,200
TOTAL MILITARY AND VETERANS AFFAIRS	100,522,700	41,206,900
NATURAL RESOURCES		
Executive	5,106,900	1,227,900
Administrative Support	25,216,700	7,490,400
Departmental Operation Support	3,094,000	1,396,000
Wildlife Management	19,522,000	388,000
Fisheries Management	23,834,300	138,200
Parks and Recreation	54,465,400	10,937,900
Mackinac Island State Park	3,404,800	1,970,600
Forest Resource Management	39,679,900	10,886,600
Land and Mineral Services	16,608,400	1,336,800
Law Enforcement	28,231,800	4,392,400
Payment in Lieu of Taxes	18,146,700	15,559,100
Grants	16,927,500	0
TOTAL NATURAL RESOURCES	254,238,400	55,723,900
REGULATORY		
CAREER DEVELOPMENT		
Departmental Administration	546,900	546,900
Department Operations	12,455,700	2,136,000
Workforce Development	71,406,300	8,912,400
Career Education Programs	7,082,700	1,514,100
Department Grants	451,870,700	10,849,200
Employment Service Agency	53,592,100	0
TOTAL CAREER DEVELOPMENT	596,954,400	23,958,600
MICHIGAN STRATEGIC FUND		
Michigan Strategic Fund	169,082,800	65,602,900
TOTAL STRATEGIC FUND	169,082,800	65,602,900
TOTAL REGULATORY	766,037,200	89,561,500

SUMMARY OF FY2001 EXECUTIVE BUDGET BILLS

	All Funds	GF/GP
SCHOOL AID		
Section 11	10,676,074,200	420,613,500
TOTAL SCHOOL AID	10,676,074,200	420,613,500
STATE POLICE		
Executive Directions	10,787,400	4,259,200
Departmentwide Appropriations	26,126,200	25,011,200
Support Services	11,022,600	7,915,100
Highway Safety Planning	24,600,100	6,372,900
Central Records	8,910,400	3,126,600
Criminal Justice Data Center	11,926,500	9,867,100
Forensic Sciences	19,350,200	18,300,000
Commission on Law Enforcement Standards	11,270,900	1,225,400
Fire Marshal	5,482,100	5,382,100
Emergency Management	9,604,800	1,754,700
Uniform Services	168,272,100	159,010,500
Special Operations	22,455,700	19,304,100
Criminal Investigations	50,896,200	33,354,400
Motor Carrier Enforcement	17,893,900	1,480,100
TOTAL STATE POLICE	398,599,100	296,363,400
TRANSPORTATION		
Debt Service	69,514,100	0
Interdepartment and Statutory Contracts	68,868,400	0
Executive Direction	3,407,400	0
Administrative Services	39,913,400	0
Bureau of Finance and Administration	20,486,700	0
Bureau of Transportation Planning	28,008,600	0
Bureau of Highways	77,192,700	0
Highway Maintenance	235,229,000	0
Road and Bridge Programs	2,108,645,600	0
Blue Water Bridge	10,224,200	0
Transportation Economic Development Fund	50,130,300	0
Bureau of Aeronautics	7,773,200	0
Bureau of Urban and Public Transportation	8,673,200	0
Bus Transit Division; Statutory Operating	159,476,300	0
Intercity Passenger and Freight	27,479,800	0
Public Transportation Development	69,741,700	0
TOTAL TRANSPORTATION	2,984,764,600	0



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN ENGLER
GOVERNOR

January 27, 2000

Ladies and Gentlemen of the Legislature and Citizens of the State of Michigan:

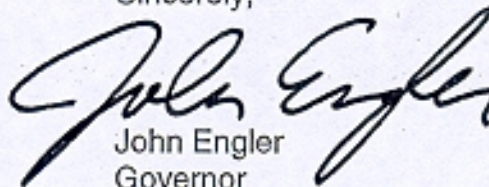
Article XI, Section 5, of the Michigan Constitution of 1963, provides that increases in rates of compensation for employees in the state classified service, authorized by the Civil Service Commission, require prior notice to the Governor. The Constitution also requires that I, as Governor, transmit such increases to the Legislature as part of my budget.

In Fiscal Year 1999, the Civil Service Commission approved multi-year collective bargaining agreements with seven state employee unions for Fiscal Years 2000, 2001 and 2002. We are in the second year of those multi-year agreements. The labor agreement for the Safety and Regulatory unit was approved by the Commission on January 20, 2000. Fiscal Year 2001 increases contained in all eight of these agreements are reflected in this transmittal. The State Police Enlisted unit is currently in the process of negotiations, thus, it is not included in this correspondence.

The Commission also approved Fiscal Year 2001 pay and benefit adjustments for non-exclusively represented state classified employees at the January 20, 2000, meeting. These adjustments are in line with the adjustments the Commission authorized for employees covered by collective bargaining agreements.

Attached is a cost summary of all the Civil Service Commission's pay actions for Fiscal Year 2001 prepared by the Office of the State Employer. The net additional cost of these pay and benefit adjustments for Fiscal Year 2001 is estimated to be \$85.8 million including the state's share of FICA and required retirement contributions.

Sincerely,



John Engler
Governor

Attachment

Estimated "New" Costs and Savings - Summary Michigan State Classified Service Fiscal Year 2000 - 2001

(NOTE: Amounts do not include costs associated with overtime, shift differential, etc.)

	A-02 P.O.A.M. Saf. & Reg.	A-31 MSEA Labor & Trades	C-12 MCO Security	E-42 31-M Human Srv. Support	H-21 MPES Scientific & Engineering	L-32 UTEA Technical	T-01 MSPTA State Police Enlisted	U-11 AFSCME Institutional	W-22 & W-41 UAW Human Srv. & Admin. Spt.	MSC's & NERE's	TOTAL ALL UNITS
Number of Employees - 10/31/1999	1,837	3,151	9,520	878	2,011	1,267	1,808	3,491	20,058	18,959	61,074
Annual Salary - 10/31/1999	\$ 35,949	\$ 34,242	\$ 37,002	\$ 36,497	\$ 50,580	\$ 36,145	\$ 45,788	\$ 32,244	\$ 37,995	\$ 51,808	\$ 41,690
Base Pay Adjustments for FY 2001											
2% Base Wage Increase 10/1/2000	\$ 1,320,766	\$ 2,157,931	\$ 7,045,181	\$ 639,427	\$ 2,034,328	\$ 815,914	Unknown	\$ 2,251,276	\$ 15,240,554	\$ 17,572,237	\$ 49,177,615
FICA/Ret. on Base Wage Increase	\$ 281,115	\$ 422,091	\$ 1,449,194	\$ 120,860	\$ 390,999	\$ 177,229	Unknown	\$ 434,947	\$ 2,929,235	\$ 3,417,900	\$ 9,603,269
Lump Sum Adjustments for FY 2001											
Lump Sum payment \$375 10/1/2000	\$ 688,875	\$ 1,181,825	\$ 3,570,000	\$ 328,500	\$ 754,125	\$ 478,125	Unknown	\$ 1,309,125	\$ 7,821,000	\$ 6,359,625	\$ 22,188,000
FICA/Ret. on Lump Sums	\$ 136,181	\$ 231,125	\$ 734,349	\$ 61,988	\$ 144,943	\$ 91,837	Unknown	\$ 252,923	\$ 1,445,536	\$ 1,236,947	\$ 4,335,939
Other Costs											
ERC increase + roll-up 10/01/2000										\$ 480,049	\$ 490,049
Total FY 2001 Additional Costs	\$ 2,406,947	\$ 3,992,773	\$ 12,798,723	\$ 1,160,576	\$ 3,324,393	\$ 1,660,205	Unknown	\$ 4,245,271	\$ 27,136,325	\$ 29,066,659	\$ 85,784,873

¹ Currently in negotiations.

² MDCB, HRS, Appointment table, PP 22. (A02 est. w/ 3% increase)

³ Rates from DMBC/PLM 12/13/99 memo; Unit rates are weighted by enrollment. (Code 40 assumes State maximum contribution)

⁴ ERC for MSC/NERE applies to Command Officers in MSP.
Jan-00

Department/Budget Bill	Purpose	Public Act or MCL Being Amended
Community Health	1. Repeal of the Prescription Drug Tax Credit 2. Vital Records Fee Increase	MCL 206.273 MCL 333.2891
Higher Education	1. Repeal of the Tuition Tax Credit 2. Establish Tax Deferred Education Savings Account 3. Provide for Education Savings Account Tax Deduction	MCL 206.274 Requires New Public Act MCL 206.30, 206.30d
Judiciary	Law Exam Fee Increase	MCL 600.931 (1a)
Transportation	P.A. 51 Statutory Distribution	MCL 247.660

WWW ADDRESSES

State of Michigan Home Page

<http://www.state.mi.us/>

EXECUTIVE BRANCH

Governor's Office

<http://www.migov.state.mi.us/>

Office of Regulatory Reform

<http://www.state.mi.us/orr/>

First Lady

<http://www.state.mi.us/migov/FirstLady/FirstLady>.

Departments:

Agriculture

<http://www.mda.state.mi.us/>

Attorney General

<http://www.ag.state.mi.us/>

Career Development

<http://www.state.mi.us/career/>

Community Service Commission

<http://www.state.mi.us/career/mcsc/>

Michigan Works

<http://www.michworks.org/>

Michigan Rehabilitation Services

<http://www.mrs.mjc.state.mi.us/>

Civil Rights

<http://www.mdcr.com/>

Civil Service

<http://www.state.mi.us/mdcs/Index.html>

Community Health

<http://www.mdch.state.mi.us/>

Michigan Aging Services System

<http://www.mdch.state.mi.us/mass/masshome.html>

Consumer and Industry Services

<http://www.cis.state.mi.us/>

Insurance Bureau

<http://www.cis.state.mi.us/ins/>

Public Service Commission

<http://cis.state.mi.us/mpsc>

Unemployment Agency

<http://www.cis.state.mi.us/ua/homepage.htm>

Corrections

<http://www.state.mi.us/mdoc/>

Economic Development Corporation

<http://medc.michigan.org/>

Travel Michigan

<http://www.michigan.org/index.html>

Education

<http://www.mde.state.mi.us>

Environmental Quality

<http://www.deq.state.mi.us>

Michigan Environmental Science Board

<http://www.mesb.org/>

Office of the Great Lakes

<http://www.deq.state.mi.us/ogl/>

Family Independence Agency

<http://www.mfia.state.mi.us/>

Lottery

<http://www.state.mi.us/msl/>

Management and Budget

<http://www.state.mi.us/dmb/dir/>

Michigan Information Center

<http://www.state.mi.us/dmb/mic/>

Michigan Public Schools Retirement System

<http://www.state.mi.us/dmb/mpsers/>

Office of Financial Management

<http://www.state.mi.us/dmb/ofm/>

Office of Purchasing

<http://www.state.mi.us/dmb/oop/>

Office of Retirement Services	http://www.state.mi.us/dmb/ors/
State Employees Retirement System	http://www.state.mi.us/dmb/ors/SERS/index.htm
Year 2000 Project Office	http://www.state.mi.us/dmb/year2000/
Military and Veteran's Affairs	http://www.voyager.net/goguard/index.html
Natural Resources	http://www.dnr.state.mi.us
State	http://www.sos.state.mi.us
Michigan Historical Center	http://www.sos.state.mi.us/history/history.html
Bureau of Elections	http://www.sos.state.mi.us/election/elect.html
State Police	http://www.msp.state.mi.us/
Transportation	http://www.mdot.state.mi.us
Treasury	http://www.treas.state.mi.us/
1999 Tax Forms	http://www.treas.state.mi.us/formspub/frmindex.ht
Electronic Filing of Income Tax Returns	http://www.treas.state.mi.us/mitax/indvtax/efile.htr
Michigan Gaming Control Board	http://www.state.mi.us/mgcb/
Michigan Merit Award	http://www.treasury.state.mi.us/merit/meritind.htm

JUDICIAL BRANCH

<http://www.migov.state.mi.us/GovernmentBranche>

LEGISLATIVE BRANCH

House of Representatives	http://www.house.state.mi.us
House Fiscal Agency	http://www.house.state.mi.us/hfa/index.html
Senate	http://www.state.mi.us/senate/
Senate Fiscal Agency	http://www.state.mi.us/sfa/
Library of Michigan	http://www.libofmich.lib.mi.us/
Legislative Auditor General	http://www.state.mi.us/audgen/
Michigan Legislative Information Web Service	http://www.michiganlegislature.org/

MISCELLANEOUS INFORMATION SITES:

Michigan Constitution	http://www.migov.state.mi.us/constitution/Constitu
Bureau of Labor Statistics	http://stats.bls.gov/
Congressional Budget Office	http://www.cbo.gov/
Education Commission of the States	http://www.ecs.org/ecs/ecsweb.nsf/
Federal Web Locator	http://www.law.vill.edu/Fed-Agency/fedwebloc.ht
Government Information Exchange	http://www.info.gov/
Health Care Financing Administration	http://www.hcfa.gov/
Internal Revenue Service	http://www.irs.gov/
Library of Congress	http://www.loc.gov/
Michigan Access to Government Information Center	http://www.govern.com

Michigan Community College Association	http://www.mcca.org
Michigan Electronic Library	http://mel.lib.mi.us/
Michigan Internet Superstation	http://www.ring.com/michigan.html
National Association of State Budget Officers	http://www.nasbo.org:80
National Center for Educational Statistics	http://http://nces.ed.gov
National Conference of State Legislatures	http://www.ncsl.org
National Governors' Association	http://www.nga.org:80
Presidents Council on State Universities of Michigan	http://www.pcsum.org
State Bar of Michigan	http://www.michbar.org
U.S. Census Bureau	http://www.census.gov/
White House	http://www.whitehouse.gov/WH/welcome.html

INDEX

<i>Key Word</i>	<i>Department</i>	<i>Section</i>
911 Emergency Services	State Police	E
	Treasury	J
2000 Census	Overview	A
	Treasury	J

A

Adoption.....	Family Independence Agency.....	F
Adult Home Help	Overview	A
	Community Health	G
Adult Learning	Overview	A
	Career Development.....	D
Aeronautics	Capital Outlay.....	I
Agriculture	Overview	A
	Agriculture	H
Agriculture Equine Industry Development Fund	Agriculture	H
Alpena Combat Readiness Training Center	Military and Veterans Affairs.....	E
Arts and Cultural Funding	Consumer and Industry Services.....	D
Attorney General	Attorney General.....	J
Auditor General	Legislature	J

B

Bovine Tuberculosis	Agriculture.....	H
Bridges.....	Transportation.....	I
Brownfield Redevelopment.....	Environmental Quality.....	H
Build Michigan II	Overview	A
	Transportation	I
Build Michigan III	Overview	A
Bureau of Elections	State	J
Business Attraction	Strategic Fund	D

C

Camp Grayling	Military and Veterans Affairs	E
Capital Outlay	Community Colleges	C
	Universities, Grants & Fin. Aid	C
	Capital Outlay	I
Career Development	Career Development	D
Career Preparation	Career Development	D
Casino Gaming	State Police	E
	Treasury	J
Census	Overview	A
	Treasury	J
Charter Schools	Education	C
Child Abuse	Overview	A
	Attorney General	J
	FIA	F
Child Support Enforcement System (CSES)	Family Independence Agency	F
Child Support	Family Independence Agency	F
Child Welfare	Overview	A
	Family Independence Agency	F
Children's Ombudsman	Management and Budget	J
Children's Special Health Care Services	Community Health	G
Children's Trust Fund	Overview	A
	Family Independence Agency	F
Civil Rights	Civil Rights	J
Civil Service	Civil Service	J
Clean Michigan Initiative (CMI)	Natural Resources	H
	Environmental Quality	H
Colleges	Community Colleges	C
	Universities, Grants & Fin. Aid	C
Commission on Financing Postsecondary Education	Community Colleges	C
	Universities, Grants & Fin. Aid	C
Community Colleges	Overview	A
	Community Colleges	C
	Capital Outlay	I
Community Corrections Programs	Corrections	E
Community Development Block Grants	Strategic Fund	D
Community Dispute Resolution Program	Judiciary	E
Community Health	Community Health	G
Community Mental Health	Community Health	G
Community Pollution Prevention Fund	Environmental Quality	H

Computer Crime Unit.....	Overview	A
	State Police.....	E
Conservation.....	Natural Resources.....	H
Construction Codes	Consumer and Industry Services.....	D
Consumer and Industry Services	Consumer and Industry Services.....	D
Convention Facility Development Grants	Treasury.....	J
Corrections	Overview	A
	Corrections	E
County Jail Reimbursement.....	Corrections	E
Court Equity Fund	Judiciary	E
Court Fee Fund.....	Judiciary.....	E
Court of Appeals	Judiciary.....	E
Courts.....	Judiciary.....	E
Credit Unions	Consumer and Industry Services.....	D
Crime.....	Overview	A
	State Police	E

D

Day Care.....	Consumer and Industry.....	D
	Family Independence Agency.....	F
Department of Agriculture	Overview	A
	Agriculture.....	H
Department of Attorney General.....	Attorney General.....	J
Department of Career Development.....	State School Aid	C
	Career Development.....	D
Department of Civil Rights	Civil Rights	J
Department of Civil Service	Civil Service.....	J
Department of Community Health.....	Community Health.....	G
Department of Consumer and Industry Services.....	Consumer and Industry Services.....	D
Department of Corrections.....	Overview	A
	Corrections.....	E
Department of Education	Education	C
Department of Environmental Quality.....	Environmental Quality.....	H
Department of Management and Budget.....	Management and Budget.....	J
Department of Michigan State Police.....	State Police.....	E
Department of Military and		

Veterans Affairs.....	Military and Veterans Affairs	E
Department of Natural Resources	Natural Resources	H
Department of State	State	J
Department of Transportation	Transportation	I
Department of Treasury	Treasury	J
Disability Services	Overview	A
	Career Development.....	D
	Community Health.....	G
	Consumer and Industry Services.....	D
Displaced Homemakers	Career Development.....	D
Domestic Violence	Overview	A
	Family Independence Agency	F
Drug Courts	Judiciary	E

E

E-Commerce	Overview	A
E-Michigan.....	Management and Budget.....	J
Early-On Programs	Education	C
Economic Development	Strategic Fund	D
Economy.....	Overview	A
	Economic Outlook.....	L
Education.....	Overview	A
Educational Performance and Information		
Center	Overview	A
Educational Programs (DNR).....	Natural Resources	H
Educational Programs (Prisoners).....	Corrections	E
Educational Statistics	Education	C
	State School Aid	C
Electronic Filing (e-file).....	Treasury.....	J
Elder Prescription Insurance		
Coverage (EPIC).....	Overview	A
	Community Health.....	G
Elderly	Overview	A
	Community Health.....	G
Emergency Services.....	State Police	E
Employment Services.....	Career Development.....	D
Endangered Species Management.....	Natural Resources	H
Environmental Cleanup and		
Redevelopment Program	Environmental Quality.....	H
Environmental Quality	Environmental Quality.....	H
Equine Industry.....	Overview	A
	Agriculture	H
Executive Office.....	Executive Office	J

F

Family Independence Agency.....	Overview	A
	Family Independence Agency	F
Family Independence Program	Family Independence Agency.....	F
Family Opportunity Project.....	Overview	A
	State School Aid	C
	Family Independence Agency	F
Family Reunification.....	Family Independence Agency.....	F
Fertilizer Disposal.....	Agriculture.....	H
Financial Aid	Universities, Grants & Fin. Aid	C
Fire Fighters Training Council.....	State Police	E
Fish Hatcheries.....	Natural Resources.....	H
Food Safety	Agriculture.....	H
Food Stamps.....	Family Independence Agency.....	F
Forest Development Fund	Natural Resources.....	H
Forest Inventory.....	Natural Resources.....	H
Foster Care	Overview	A
	Family Independence Agency	F
Foster Parent Recruitment.....	Family Independence Agency.....	F
Foundation Allowance	State School Aid	C

G

Gift of Life Registry.....	State	J
Golden Apple Awards.....	Overview	A
	State School Aid	C
Governor.....	Executive Office	J
Great Lakes Protection Fund	Environmental Quality.....	H

H

Headlee.....	Overview	A
	State School Aid	C
Health.....	Overview	A
	Community Health.....	G
Health and Aging Research and Development Initiative	Strategic Fund	D
Health Care	Overview	A
Health Maintenance Organizations	Community Health.....	G
Healthy Michigan Funds.....	Community Health.....	G

Higher Education.....	Overview	A
	Universities	C
	Community Colleges	C
Highway Safety Planning	State Police	E
Historical Program.....	State	J
HMO's.....	Community Health.....	G
Hold Harmless Fund	Judiciary	E
Homestead Property Tax Credit	Overview	A
	Family Independence Agency	F
Horse Racing	Agriculture	H
House Fiscal Agency.....	Legislature	J
House of Representatives.....	Legislature	J
Housing	Overview	A
	Agriculture.....	H
	Consumer and Industry Services.....	D
	FIA	F
HRMN.....	Civil Service.....	J
Human Resource Management Network	Civil Service.....	J

I

Individual Development Accounts	Overview	A
	Family Independence Agency	F
In-Home Care	Community Health.....	G
Injured Workers Fund	Overview	A
Immunizations	Overview	A
	Community Health.....	G
Infant Mortality.....	Community Health.....	G
Internet Sales Tax.....	Treasury.....	J

J

Jail Reimbursement	Corrections	E
Job Creation.....	Strategic Fund	D
Job Recruitment.....	Strategic Fund	D
Job Retention.....	Strategic Fund	D
Job Training.....	Career Development.....	D
	Strategic Fund	D
Judges.....	Judiciary	E
Judiciary.....	Judiciary	E

K

K-12 Education	State School Aid	C
Kinship Care	Family Independence Agency	F

L

Legislative Council	Legislature	J
Legislative Retirement System	Legislature	J
Legislative Service Bureau	Legislature	J
Legislature	Legislature	J
Library Grants	Library of Michigan	J
Library of Michigan	Library of Michigan	F
Licensing	Consumer and Industry Services	D
Lieutenant Governor	Executive Office	J
Local Government	Overview	A
	Treasury	J
Local Public Health Operations	Agriculture	H
	Community Health	G
	Department of Environmental Quality	H
Local Roads and Bridges	Transportation	I
Long Term Care	Community Health	G

M

Managed Care	Overview	A
	Community Health	G
Management and Budget	Management and Budget	J
MEAP	Education	C
	State School Aid	C
Medicaid	Overview	A
	Community Health	G
Mental Health Programs	Overview	A
	Community Health	G
Michigan Affordable Housing Fund	Overview	A
	Family Independence Agency	F
Michigan Agriculture Environmental Assurance Program (MAEAP)	Agriculture	H
Michigan Civilian Conservation Corps	Natural Resources	H

Michigan Community Service Commission.....	Career Development.....	D
Michigan Economic Development Corporation (MEDC).....	Strategic Fund.....	D
Michigan Economic Growth Authority (MEGA).....	Strategic Fund.....	D
Michigan Educational Assessment Program (MEAP).....	Overview.....	A
	Education.....	C
	State School Aid.....	C
	Natural Resources	H
	Treasury.....	J
Michigan Information Center	Management and Budget.....	J
Michigan Judicial Institute	Judiciary.....	E
Michigan Merit Award	Community Colleges.....	C
	Treasury.....	J
	Universities, Grants & Fin. Aid	C
Michigan Merit Award Trust Fund.....	Universities, Grants & Fin. Aid	C
Michigan State Fair.....	Agriculture	H
	Natural Resources	H
Michigan State Industries.....	Corrections	E
Michigan State Police	Overview.....	A
	State Police	E
Michigan Strategic Fund	Strategic Fund.....	D
Michigan Technical Education Centers (M-TEC).....	Community Colleges.....	C
Michigan Transportation Fund	Transportation.....	I
Michigan Youth ChalleNGe Academy.....	Military and Veterans Affairs.....	E
MIChoice.....	Overview.....	A
	Community Health.....	G
Migrant Housing	Agriculture	H
Military Affairs	Military and Veterans Affairs.....	E
Military Veterans' Trust Fund.....	Military and Veterans Affairs.....	E
Motor Carrier Services	State Police	E
Municipal Courts.....	Judiciary.....	E

N

National Guard.....	Military and Veterans Affairs.....	E
Natural Resources	Natural Resources	H
Nongame Fish and Wildlife Trust Fund	Overview.....	A
	Natural Resources	H
Nursing Homes	Overview.....	A
	Consumer and Industry Services	D
	Community Health	G

O

Office of Regulatory Reform	Executive Office.....	J
Office of the Auditor General.....	Legislature	J
Office of the Children's Ombudsman.....	Management and Budget.....	J
Office of the State Budget.....	Management and Budget.....	J
Organ Donors	State	J

P

Parks	Natural Resources	H
Parks and Recreation.....	Natural Resources	H
Partnership for Adult Learning	Overview.....	A
	Career Development.....	D
Pesticide Disposal.....	Agriculture	H
Pharmacy Services	Community Health.....	G
Pocket Parks.....	Natural Resources	H
Pollution Prevention.....	Agriculture	H
	Environmental Quality.....	H
Pre-School Programs	Education.....	C
Prisons	Corrections	E
Project GREEN.....	Overview.....	A
	Agriculture	H
Project Zero.....	Overview.....	A
	Family Independence Agency.....	F
Proposal A	Overview.....	A
	State School Aid.....	C
Public Health.....	Overview.....	A
	Community Health	G
	Environmental Quality.....	H
Public Safety Communications System	Corrections	E
	State Police	E
Public Schools	State School Aid.....	C

Q

Qualified Health Plans	Community Health.....	G
Qualified Voter File (QVF).....	State	J

R

Rainy Day Fund	Overview	A
Reading Plan for Michigan.....	Education.....	C
Reading Readiness.....	Overview.....	A
	Education.....	C
R.E.A.D.Y. Kits	Education.....	C
Recreation	Natural Resources	H
Regulation and Oversight	Consumer and Industry Services	D
Regulatory Reform	Executive Office.....	J
Remote Sales Tax.....	Treasury.....	J
Renaissance Zones	Community Colleges.....	C
	Strategic Fund	D
	Treasury.....	J
Repeat Offender Program.....	State	J
Revenue Sharing.....	Overview.....	A
	Treasury.....	J
Revenues.....	Overview.....	A
	Revenue Review	M
Roads.....	Overview.....	A
	Transportation.....	I

S

School Aid	Overview.....	A
	Education.....	C
	State School Aid.....	C
School Aid Fund	Overview.....	A
	State School Aid.....	C
School Funding	State School Aid.....	C
Schools of Choice	State School Aid.....	C
	Education.....	C
School Readiness	Overview.....	A
	State School Aid.....	C
Scrap Tires	Environmental Quality	H
Secretary of State.....	State J	
Senate	Legislature	J
Senate Fiscal Agency.....	Legislature	J
Senior Citizens.....	Overview.....	A
	Community Health.....	G
Senior Citizen Prescription Drug Tax Credit.....	Overview.....	A
	Community Health.....	G
SMART LINK.....	State J	
Special Maintenance	Capital Outlay	I

Specialty License Plates	State	J
Social Services Block Grant.....	Family Independence Agency.....	F
Starbase Program	Military and Veterans Affairs.....	E
State Aid to Libraries	Library of Michigan.....	J
State Budget Office.....	Management and Budget.....	J
State Court Administrative Office	Judiciary.....	E
State Disability Assistance.....	Overview.....	A
	Family Independence Agency.....	F
State Employees	Civil Service	J
State Employees Training Programs	Civil Service	J
State Employer	Management and Budget.....	J
State Fairs	Agriculture	H
	Natural Resources	H
State Medical Program.....	Community Health.....	G
State Parks.....	Natural Resources	H
State Police	Overview.....	A
	State Police	E
State School Aid.....	State School Aid.....	C
State Survey and Remonumentation		
Grants	Consumer and Industry Services	D
Strategic Fund.....	Strategic Fund.....	D
Student Financial Aid.....	Universities, Grants & Fin. Aid	C
Substance Abuse Programs (Prisoners)	Corrections	E
Summer Family Enrichment Program.....	Overview.....	A
	State School Aid.....	C
	Family Independence Agency.....	F
Supreme Court	Judiciary.....	E

T

TANF	Overview.....	A
	State School Aid.....	C
	Family Independence Agency.....	F
Tax Collection	Treasury.....	J
Tax Technology Investment Plan.....	Treasury.....	J
Tax Relief.....	Overview.....	A
Tax Returns	Treasury.....	J
Tax Reversion.....	Treasury.....	J
Taxes.....	Overview.....	A
TEA-21	Transportation.....	I
Teacher Certification.....	Education.....	C
Technical Rule Violation (TRV) Centers.....	Corrections	E
Technology for Teachers	Overview.....	A
	State School Aid.....	C

Teen Pregnancy	Overview.....	A
	Community Health.....	G
	Family Independence Agency.....	F
Tobacco Settlement	Overview.....	A
	Attorney General	J
Tobacco Settlement Trust Fund	Community Colleges.....	C
	Strategic Fund	D
	Community Health.....	G
Tourism	Strategic Fund	D
Traffic Safety.....	State Police	E
Transportation.....	Overview.....	A
	Transportation.....	I
Transportation Funding Study		
Committee	Transportation.....	I
Travel.....	Strategic Fund	D
Treasury.....	Treasury.....	J
Trial Court Assessment Commission.....	Legislature	J
Troopers.....	State Police	E
Truth-In-Sentencing	Overview.....	A
Tuberculosis - Bovine	Agriculture	H
Tuition Restraint.....	Universities, Grants & Fin. Aid	C
Tuition Tax Credit.....	Overview.....	A

U

Unclaimed Property (Escheat) Program..	Treasury.....	J
Unemployment.....	Overview.....	A
	Strategic Fund	D
Unemployment Agency	Consumer and Industry.....	D
Unemployment Insurance	Consumer and Industry Services	D
Universal Services Fund (USF)	Library of Michigan.....	J
Universities.....	Overview.....	A
	Universities, Grants & Fin. Aid.....	C
	Capital Outlay	I
Upper Peninsula State Fair	Agriculture	H
	Natural Resources	H
Urban Homesteading Program	Treasury.....	J

V

Veterans' Service Organizations.....	Military and Veterans Affairs.....	E
Virtual High School.....	State School Aid	C
Virtual University.....	State School Aid	C
Vocational Training	Career Development.....	D
Vocational Training (Prisoners).....	Corrections	E

W

Water Quality.....	Environmental Quality.....	H
Water Supply Safety.....	Agriculture	H
Welfare.....	Overview.....	A
	Family Independence Agency.....	F
Welfare to Work.....	Career Development.....	D
Work First	Career Development.....	D
	Transportation.....	I
Workforce Development.....	Career Development.....	D
Workplace Safety.....	Consumer and Industry Services	D

Y

Youth Prison.....	Overview.....	A
	Corrections	E